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IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

SHELL PETROLEUM N.V.,

Petitioner,

—against—

MICHAEL FRANCHETTI, KENNETH CORY, WILLIAM M. BENNETT, INDIVIDUALLY AND AS MEMBERS OF, AND GERALD H. GOLDBERG, INDIVIDUALLY AND AS EXECUTIVE OFFICER OF, THE FRANCHISE TAX BOARD, STATE OF CALIFORNIA,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

SHELL PETROLEUM, N.V.,

Plaintiff-Appellant,

vs.

MARY ANN GRAVES, KENNETH CORY, ERNEST J. DRONENBURG, JR., individually and as members of, and GERALD H. GOLDBERG, individually and Executive Officer of, THE FRANCHISE TAX BOARD, STATE OF CALIFORNIA,

Defendants-Appellees.

CA NO. 82-4535
DC NO. CV 81-4302

OPINION

Appeal from the United States District Court
for the Northern District of California
Honorable Marilyn H. Patel, District Judge, Presiding
Argued and submitted April 14, 1983

Before: TRASK, SKOPIL, and FERGUSON, Circuit Judges

TRASK, Circuit Judge

Shell Petroleum N.V. (SPNV) appeals the dismissal of its action for declaratory and injunctive relief. Pursuant to 42 U.S.C. § 1983 (1976), SPNV sought to enjoin the California Franchise Tax Board from assessing taxes based on a "unitary" business formula against two companies in which SPNV was the majority stockholder. The district court dismissed SPNV's complaint for lack of standing and because the controversy was not ripe. The decision of the district court is affirmed.

I

SPNV is a Netherlands company. During the years relevant to this action, 1967 to 1976, SPNV held 69 percent of the common stock of Shell Oil, a Delaware corporation. SPNV also owned all the stock of Scallop Holding Inc., a Delaware corporation, which in turn owned all the stock of Scallop Nuclear, also a Delaware corporation. Shell Oil and Scallop Nuclear both conducted business in California during the relevant period.

California's corporate franchise tax is a "unitary" income tax based on the taxpayer's business activities both within and without the state. *See* Cal. Rev. & Tax. Code §§ 25120 to 25140 (West 1979). As a threshold question the Board determines which operations of the taxpayer and related companies are sufficiently integrated in the production of overall corporate income to warrant "unitary" treatment. Ratios based on the taxpayers total property, payroll and sales values in California compared to the same items of the unitary business throughout the world are then calculated. The average of the ratios is then applied to the worldwide net income of the unitary business to determine the taxpayer's income in California for tax purposes.

The Board is in the process of auditing Shell Oil and Scallop Nuclear. The Board has demanded information concerning the worldwide operations of SPNV from Shell and Scallop. SPNV alleged that the Board had made or would make a determination that the California taxpayers were part of a unitary business consisting of all companies worldwide in which SPNV is the majority owner. According to SPNV, such a determination will produce a gross disproportion between the income attributed to the California activities of Shell and Scallop and the income actually earned.

II

STANDING

Although SPNV has thoroughly briefed the Constitutional aspects of standing, the district court's decision in this case was based on prudential rather than Constitutional grounds. SPNV is a shareholder in both Shell and Scallop. Generally, a shareholder does not have standing to redress an injury to the corporation. *Sherman v. British Leyland Motors, Ltd.*, 601 F.2d 429, 439-40 (9th Cir. 1979) (sole shareholder had no standing to assert either federal or state law claims); *Von Brimer v. Whirlpool Corp.*, 536 F.2d 838, 846 (9th Cir. 1976) (majority shareholder may not assert state law claims despite economic injury to him); *Erlich v. Glasner*, 418 F.2d 226 (9th Cir. 1969) (sole shareholder could not maintain an action under 42 U.S.C. § 1983).

To have standing to maintain an action, a shareholder must assert more than personal economic injury resulting from a wrong to the corporation. *Von Brimer v. Whirlpool*, 536 F.2d at 846. A shareholder must be injured directly and independently of the corporation. *Id.; Erlich v. Glasner*, 418 F.2d at 228. The method of taxation that SPNV seeks to enjoin does not injure SPNV directly or independently of the corporation.

SPNV alleges that it has standing through the Treaty of Friendship, Commerce and Navigation, March 27, 1956, United States-Netherlands, 8 U.S.T. 2043, T.I.A.S. No. 3942 (Treaty). A cause of action may be specifically granted to a shareholder distinct from the corporation by such a provision. *E.g., Harmsen v. Smith*, 542 F.2d 496, 499-500 (9th Cir. 1976). The Treaty provisions relied upon by SPNV do not explicitly give it rights which a domestic shareholder would not have.[1]

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1. The portions of the Treaty which SPNV contends give rise to its claims are Article I(1), Article VI(3), and Article XI(1), (3), and (4). These Articles read as follows:

Article I(1):

> Each Party shall at all times accord fair and equitable treatment to the nationals and companies of the other Party, and their property, enterprises and other interests.

The Supreme Court recently interpreted the Friendship, Commerce and Navigation treaty between the United States and Japan. *Sumitomo Shoji America, Inc. v. Avagliano,* ..... U.S. ....., 102 S.Ct. 2374 (1982). The Court stated:

> The Friendship, Commerce and Navigation Treaty between Japan and the United States is but one of a series

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Article VI(3):

Neither Party shall take unreasonable or discriminatory measures that would impair the rights or interests within its territories of nationals and companies of the other Party, whether in their capital, or in their enterprises and the property thereof, or in the skills, arts or technology with which they have supplied.

Article XI(1):

Nationals or either Party residing within the territories of the other Party, and nationals and companies of either Party engaged in trade or other gainful pursuit or in scientific, educational, religious or philanthropic activities within the territories of the other Partys, shall not be subject to the payment of taxes, fees or charges imposed upon or applied to income, capital, transactions, activities or any other object, or to requirements with respect to the levy and collection thereof, within the territories of such other Party, more burdensome than those borne by nationals and companies of such other Party.

Article XI(3):

Nationals and companies of either Party shall in no case be subject, within the territories of the other Party, to the payment of taxes, fees or charges imposed upon or applied to income, capital, transactions, activities of any other object, or to requirements with respect to the levy and collection thereof, more burdensome than those borne by nationals, residents and companies of any third country.

Article XI(4):

In the case of companies and of nonresident nationals of either Party engaged in trade or other gainful pursuit within the territories of the other Party, such other Party shall not impose or apply any tax, fee or charge upon any income, capital or other bases in excess of that reasonably allocable or apportionable to its territories, nor grant deductions and exemptions less than those reasonably allocable or apportionable to its territories. A comparable rule shall apply also in the case of companies organized and operated exclusively for scientific, educational, religious or philanthropic purposes.

> of similar commercial agreements negotiated after World War II. The primary purpose of the corporation provisions of the Treaties was to give corporations of each signatory legal status in the territory of the other party, and to allow them to conduct business in the other country on a comparable basis with domestic firms. . . . The purpose of the treaties was not to give foreign corporations greater rights than domestic companies, but instead to assure them the right to conduct business on an equal basis without suffering discrimination based on their alienage.

102 S.Ct. at 2380-81.

A domestic corporation holding a majority interest in Shell or Scallop would not have standing in this case as the injury complained of is not direct or individual. The Treaty places SPNV in the same position as a domestic corporation: it has no standing.

III

RIPENESS

As an alternative ground for its decision, the district court held the controversy was not ripe as it was still at the administrative stage. The district court stated:

> The present posture of this case at the administrative level, according to SPNV, is as follows. SPNV represents that the Board has demanded information of Scallop Nuclear, but that no notice of proposed assessment has yet been issued to Scallop Nuclear. Auditors for the Board have prepared a report proposing that the Board issue such a notice for tax years 1973-76, but the Board has not acted on this proposal. The Board had demanded information of Shell Oil, and issued to Shell Oil notices of proposed assessments for tax years 1967-72. These notices propose assessments of additional taxes, as well as penalties for failure to provide requested information. Shell Oil has formally protested the proposed assessments and has petitioned the Board pursuant to Cal. Rev. & Tax. Code

> § 25137, requesting that the "unitary business enterprise" for purposes of Shell Oil's tax be reduced in scope to include only Shell Oil and its subsidiaries. The Board has not acted on its protest or petition. The Board is "preparing to issue" to Shell Oil notices of proposed assessments for tax years 1973-76; and these proposed assessments "may" also include proposed penalties for failure to supply requested information.

Shell Petroleum N.V. v. Graves, No. C-81-4307, slip op. at 13-14 (N.D. Cal. Aug. 9, 1982). Both Shell and Scallop are in early phases of the administrative proceedings. Once a taxpayer protests an assessment, it is still entitled to a hearing before the Board and an appeal lies to the State Board of Equalization. *See* Cal. Rev. & Tax. Code §§ 25665-25667 (West 1979). SPNV argues that the controversy is ripe because the information being demanded of the taxpayers must come from SPNV. The district court did not consider this a sufficient injury to enjoin.

Although there is not an administrative exhaustion requirement for 1983 claims, *Patsy v. Board of Regents*, ... U.S. ....., 102 S.Ct. 2557 (1982), the district court based its decision on the policy underlying the Tax Injunction Act. 28 U.S.C. § 1341. This court has stated:

> Section 1341 provides that "district courts shall not enjoin, suspend or restrain the assessment, levy or collection of any tax under state law where a plain, speedy and efficient remedy may be had in the courts of such State." This statute has its roots in equity practice, the principles of federalism and in recognition of the need of a state to administer its own fiscal operations. This Court has held that Section 1341 also generally bars action for declaratory relief against the assessment or collection of state taxes.

Capitol Industries-EMI, Inc. v. Bennett, 681 F.2d 1107, 1112 (9th Cir. 1982), ... U.S. ....., *cert. denied* 103 S.Ct. 579 (1983) (citations omitted) Shell and Scallop have plain, speedy, and efficient administrative and state court remedies. The controversy can not yet be considered ripe.

CONCLUSION

SPNV would not have standing to challenge the tax board if it was a domestic corporation. The Treaty appears to do no more than assure that SPNV is on equal footing with domestic corporations. There is equal footing in this case. Furthermore, the policies underlying the Tax Injunction Act compel us to determine that this controversy is not ripe. Therefore, the decision of the district court is affirmed.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SHELL PETROLEUM, N.V.,
Plaintiff,

vs.

MARY ANN GRAVES, KENNETH CORY, ERNEST J. DRONENBURG, JR., individually and as members of, and GERALD H. GOLDBERG, individually and as Executive Officer of, THE FRANCHISE TAX BOARD, STATE OF CALIFORNIA,
Defendants.

No. C-81-4302-MHP
MEMORANDUM DECISION AND ORDER

I. INTRODUCTION

Plaintiff Shell Petroleum, N.V. (hereinafter "SPNV") is, by its own account, an incorporated Netherlands holding company with its principal place of business in The Hague, The Netherlands. It is not qualified to do business in the United States; and it neither does business nor has any permanent establishment in the United States.

SPNV owns approximately 69% of the outstanding shares of the common stock of Shell Oil Company (hereinafter "Shell Oil"), which is incorporated in Delaware and headquartered in Houston, Texas. The remaining common stock of Shell Oil is held by a large number of shareholders; the stock is listed for trading on the New York Stock Exchange and other stock exchanges in the United States and Canada. Shell Oil does business in California and throughout the United States, as well as in several foreign countries.

SPNV also owns 100% of the shares of Scallop Holding Incorporated, a Delaware corporation with its principal place of

business in the State of New York. Scallop Holding Incorporated in turn holds 100% of the stock of Scallop Nuclear, Inc. (hereinafter "Scallop Nuclear"), which is also a Delaware corporation with offices in New York. Scallop Nuclear, like Shell Oil, does business in California. Neither Scallop Nuclear nor Shell Oil are parties to this action.

Sixty percent of the equity shareholdings of plaintiff SPNV are held by Royal Dutch Petroleum Company (hereinafter "Royal Dutch"), which is incorporated in The Netherlands, and the other 40% is held by the Shell Transport and Trading Company, Public Limited Company (hereinafter "Shell Transport"), which is incorporated in England. Royal Dutch and Shell Transport also hold, directly or indirectly, entire or majority interests in over 900 companies located in more than 100 countries around the world. These companies are principally engaged in producing and marketing chemicals and nonferrous metals, in mining and marketing coal, and in the exploration, production, refining, and marketing of oil and gas.

SPNV has filed this action for declaratory and injunctive relief against the Executive Officer and members of the Franchise Tax Board (hereinafter "the Board"). SPNV alleges that the Board has assessed or plans to assess Shell Oil and Scallop Nuclear for additional corporate income tax payments it maintains are owing for tax years 1967-76, under the provisions of the California Bank and Corporation Tax Law, Cal. Rev. & Tax. Code §§ 23001 et seq.

Sections 25101 and 25120-25140 of that Code provide a formulary method for apportioning income derived from a taxpayer's business activities both within and without California. Simply stated, the statutory formula requires that three fractions be calculated: (1) the ratio of the value of all real and tangible personal property of the taxpayer in California to its worldwide real and tangible personal property; (2) the ratio of the California payroll of the taxpayer to its worldwide payroll; and (3) the ratio of the value of the California sales of the taxpayer to the value of its worldwide sales. These three

fractions are then, in effect, averaged, and the resulting fraction is then multiplied by the taxpayer's total income to find the portion of that income attributable to California for state corporate franchise tax purposes. One obvious purpose of this formulary apportionment method is to frustrate the shifting of income to the taxpayer's subsidiaries or unincorporated branches in nations or states with more hospitable tax laws, by means of fraudulent intracorporate or intercorporate transactions which, at least on paper, reduce the incomes of the California subsidiaries or branches while inflating those of out-of-state subsidiaries or branches.

SPNV alleges that the Board has made or will make a determination that Shell Oil and Scallop Nuclear, the California taxpayers here, are in fact part of a single unitary business enterprise consisting of all the many worldwide companies that are more than 50% owned, directly or indirectly, by Royal Dutch or Shell Transport, irrespective of where these many companies do business. On the basis of that determination, SPNV alleges, the Board has combined or plans to combine the income of all of these companies, arriving at the fraction of that aggregate income which it considers to be attributable to the California business activities of Shell Oil and Scallop Nuclear by means of the statutory formula. SPNV alleges that the Board's application of the formula to the worldwide income of the Royal Dutch/Shell Transport companies produces a gross disproportion between the income so attributed to California activities and the income actually earned by Shell Oil and Scallop Nuclear.

SPNV contends that the California apportionment method, both facially and as applied by the Board in this case, is repugnant to the commerce clause, article I, section 8, clause 3; the due process clause, amendment XIV, section 1; and the treaty clause, article II, section 2, clause 2, of the Constitution of the United States. It also contends that the method applied by the Board violates the Treaty of Friendship, Commerce and Navigation, March 27, 1956, United States-Netherlands, 8 U.S.T. 2043, T.I.A.S. No. 3942 (hereinafter "the Treaty of

1956"), and the Convention Between the United States of America and the Kingdom of the Netherlands with Respect to Taxes on Income and Certain Other Taxes, April 29, 1948, 62 Stat. 1757, T.I.A.S. No. 1855, as amended by a Supplementary Convention, December 30, 1965, 17 U.S.T. 896, T.I.A.S. No. 6051 (hereinafter "the Double Taxation Convention"). In addition, SPNV contends that the method applied by the Board violates "general principles of international law."

SPNV also complains of allegedly burdensome and unlawful demands for information made by the Board upon both Shell Oil and Scallop Nuclear. SPNV alleges that the Board has demanded of the taxpayers information, much of which is not in their possession, concerning the history, structure, business, revenues, and income of the more than 900 companies controlled by Royal Dutch or Shell Transport, along with an account of past crude oil transactions between Royal Dutch/Shell Transport companies. For its failure to produce information demanded by the Board, SPNV alleges, Shell Oil has been notified of a proposed penalty assessment by the Board. SPNV, contending that these demands for information are tantamount to an unlawful assertion of jurisdiction over SPNV, seeks an injunction preventing the defendants from pressing them.

SPNV has moved for summary judgment, and the defendants have moved to dismiss the action. The court grants the motion to dismiss because SPNV does not have standing to raise its claims, and because the controversy is not ripe for decision.

II. STANDING

SPNV does not, according to its complaint, conduct business operations within the United States, and it is not a California taxpayer. The Board is not alleged to have assessed or exacted taxes or demanded information directly from SPNV. Rather, taxpayers Shell Oil and Scallop Nuclear, which do transact business in California, are the entities of whom infor-

mation has allegedly been directly demanded, and against whom the proposed assessments will allegedly be made.

Shell Oil and Scallop Nuclear have not joined in this action; nor could they have done so, as the Tax Injunction Act, 28 U.S.C. §1341, withholds from the district courts jurisdiction to entertain actions for injunctive or declaratory relief from the assessment, levy, or collection of any state tax if the plaintiff has a "plain, speedy and efficient remedy" in state court. Where a United States subsidiary corporation is aggrieved by an allegedly unlawful income tax assessment by the California Franchise Tax Board, which assessment is based on the application of the formula apportionment method to the Board's determination that the subsidiary, its foreign parent, and other subsidiaries of the parent are engaged in a unitary business, the taxpayer subsidiary has a plain, speedy, and efficient remedy in state court and is therefore precluded from seeking declaratory[1] or injunctive relief in federal district court. *Capitol Industries-EMI, Inc. v. Bennett*, 681 F.2d 1107 (9th Cir. 1982), *cert. denied*, 455 U.S. 943 (1982).[2]

While the Tax Injunction Act is not directly at issue in this action, its salutary purposes should be kept in mind. The "principal motivating force behind the Act" was a congressional desire "to limit drastically federal district court jurisdiction to interfere with so important a local concern as the collection of taxes." *Rosewell v. LaSalle National Bank*, 450 U.S. 503, 522 (1981). *See also California v. Grace Brethren Church*, 102 S.Ct. 2498, 73 L.Ed.2d 93 (1982). The Act was designed to

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[1] In *California* v. *Grace Brethren Church*, 102 S.Ct. 2498, 73 L.Ed.2d 93 (1982), the Supreme Court held that the Tax Injunction Act prohibits district courts from granting declaratory relief as well as injunctive relief.

[2] *Capital Industries-EMI* v. *Bennett*, like the case *sub judice*, involved a constitutional challenge to unitary treatment, and as in the instant case the plaintiff sought relief from the Board's demands upon the taxpayer subsidiary for business records of the foreign parent and of the parent's other subsidiaries. But it did not, apparently, involve a challenge based on a treaty or on international law.

effectuate this policy notwithstanding the fact that the states may require that the taxpayer subject itself to the state's exactions as a precondition of a state court challenge to the lawfulness of those exactions. *See California v. Grace Brethren Church,* 102 S.Ct. at 2512-13; *Rosewell v. LaSalle National Bank,* 450 U.S. at 523-24. Section 1341 reflects "the fundamental principle of comity between federal courts and state governments that is essential to 'Our Federalism', particularly in the area of state taxation"—an independent principle that was relied on by the federal courts in refusing to grant equitable relief from state tax laws both before and after the enactment of the statute. *Fair Assessment in Real Estate Association, Inc. v. McNary,* 454 U.S. 100, 103 (1981).[3]

Another important purpose of the Act was to equalize the remedies available to taxpayer corporations that were citizens of the state imposing the tax, on the one hand, and foreign taxpayer corporations, on the other. Congress feared that absent the Act, a foreign corporation, through diversity, could, at that time, obtain federal-court relief prohibiting the collection of certain state taxes, while the citizen corporation would be required to pay first and then litigate in the state courts. *Fulton Market Cold Storage Co. v. Cullerton,* 582 F.2d 1071, 1074-75 (7th Cir. 1978), *cert. denied,* 439 U.S. 1121 (1979), *disapproved on other grounds, Fair Assessment in Real Estate Association v. McNary, supra; Robinson Protective Alarm Co. v. City of Philadelphia,* 581 F.2d 371, 375 (3d Cir. 1978); *Tramel*

[3] Thus, " 'even where the Tax Injunction Act would not bar federal-court interference in state tax administration, principles of federal equity may nevertheless counsel the withholding of relief.' " *Fair Assessment in Real Estate Association, Inc.* v. *McNary,* 454 U.S. at 107 and n.4 (quoting *Rosewell* v. *LaSalle National Bank,* 450 U.S. 503, 525-26 n.33 (1981)). As the Supreme Court reaffirmed in the *Fair Assessment* and *Rosewell* cases, the Act is not a mandatory withdrawal from federal courts of their traditional power to decline jurisdiction, where equitable relief is sought, in the exercise of their discretion.

v. Schrader, 505 F.2d 1310, 1316 (5th Cir. 1975). *See also Rosewell v. LaSalle National Bank*, 450 U.S. at 522-23 n.29.

In the instant case, the foreign shareholder seeks to circumvent the Tax Injunction Act by a bold and simple technique: bringing its own action.[4] While Shell Oil and Scallop Nuclear have plain, speedy, and efficient administrative and state court remedies in these circumstances, *see Capitol Industries-EMI, Inc. v. Bennett*, 681 F.2d at 1113-18, SPNV does not, because it is not the taxpayer, *id.* at 1118. It is therefore not barred by the Tax Injunction Act. *Id.* at 1119.

But although the *Capitol Industries* court remanded the cases before it, holding that the foreign parent, unlike its taxpayer subsidiary, was not barred by the Act, it expressed serious reservations concerning the parent's standing to challenge the proposed assessment against its subsidiary. *Id.* at 1119 n.31. The standing issue, it noted, was not before the court on that appeal. It is before this court in the instant case.

It is clear in this circuit, as it is in others, that the shareholder of a corporation—even a sole shareholder—does not, in general, have standing to redress an injury to the corporation. *Sherman v. British Leyland Motors, Ltd.*, 601 F.2d 429, 439-40 (9th Cir. 1979) (creditor and sole shareholder had no standing to assert either federal or state law claims); *Von Brimer v. Whirlpool Corp.*, 536 F.2d 838, 846 (9th Cir. 1976) (majority shareholder may not assert state law claims despite economic injury to him); *Erlich v. Glasner*, 418 F.2d 226 (9th Cir. 1969) (shareholder who, with his wife, owned all the stock of injured corporation, could not maintain an action under 42 U.S.C. § 1983 to redress the injury). *Accord, Gregory v. Mitchell*, 634 F.2d 199, 202 (5th Cir. 1981); *Smith v. Martin*, 542 F.2d 688, 690 (6th Cir. 1976), *cert. denied*, 431 U.S. 905 (1977); *Vincel v. White Motor Corp.*, 521 F.2d 1113 (2d Cir. 1975); *Vanderboom v. Sexton*, 460 F.2d 362, 364 (8th Cir.

[4] SPNV, according to the pleadings, is the majority shareholder of Shell Oil, and the sole shareholder of Scallop Nuclear's only shareholder.

1972); *McDaniel v. Painter*, 418 F.2d 545, 547 (10th Cir. 1969).[5]

In the case at bar, the plaintiff must be in a position to assert much more than mere economic injury occasioned by its ownership of a corporation whose rights have been violated. *Von Brimer v. Whirlpool*, 536 F.2d at 846. It must allege that it, rather than the taxpayer subsidiary, has been injured, individually and directly, by independent wrongdoing infringing rights belonging severally to it as a shareholder. *Id.*; *Erlich v. Glasner*, 418 F.2d at 228; *Buschmann v. Professional Men's Association*, 418 F.2d 659 (7th Cir. 1969). A statute or other provision may specifically vest rights and create a right of action in the shareholders as distinct from the corporation, *see Harmsen v. Smith*, 542 F.2d 496, 499-500 (9th Cir. 1976) (section 93 of the National Banking Act); but absent this, injury to the corporaiton is not cognizable as injury to the shareholders, for purposes of the standing requirements.

It does not appear that the constitutional provisions alleged to have been violated by the imposition of this method of taxation or by the Board's alleged informational demands specifically vest rights in, or create any right of action in favor of, the shareholders as shareholders, apart from those of the corporation. *See Erlich v. Glasner* (action under 42 U.S.C. §1983 grounded on alleged deprivation of due process). Nor does SPNV refer the court to any authority suggesting that what it describes as "general principles of international law" or "customary international law" specifically vest such rights in shareholders as such.

SPNV does, however, suggest that it lies "within the zone of interests protected by" the Treaty, and that the Double Taxation Convention vests rights in SPNV as well as in its

[5] Of course, under proper circumstances a shareholder may bring a derivative action *on behalf of* the corporation. *Erlich* v. *Glasner*, 418 F.2d 226, 228 (9th Cir. 1969). But that is not this case.

United States subsidiaries.[6] It further contends that the Treaty and the Double Taxation Convention incorporate the commerce clause and the due process clause of the Consititution into their national treatment guarantees. Only if the Treaty or the Convention specifically create rights of action by a Netherlands shareholder of a U.S. corporation does SPNV have standing to complain of threatened injury to Shell Oil and Scallop Nuclear.

The portions of the Treaty which SPNV contends give rise to its claims are Article I(1), Article VI(3), and Article XI(1), (3), and (4).[7] The question is whether these provisions should

[6] As SPNV contends, its allegations satisfy the "injury in fact" requirement for standing under article III of the federal Constitution. *See Gladstone, Realtors* v. *Village of Bellwood*, 441 U.S. 91, 99 (1979). Injury in fact was undoubtedly adequately alleged in most of the cases holding that majority or sole shareholders did not have standing to redress injuries to the corporation. But even where the requirements of article III are satisfied, a plaintiff may still lack standing under "prudential" standing principles. *Id.* at 99-100. Among these principles are that a plaintiff must be asserting " 'his own legal rights and interests, and cannot rest his claim to relief on the legal rights or interests of third parties,' " *Valley Forge Christian College* v. *Americans United for Separation of Church and State, Inc.*, 454 U.S. 464, 474 (1982) (quoting *Warth* v. *Seldin*, 422 U.S. 490, 499 (1975)), and "that the plaintiff's complaint [must] fall within 'the zone of interests to be protected or regulated by the statute or constitutional guarantee in question,' " *Valley Forge Christian College* v. *Americans United for Separation of Church and State, Inc.*, 454 U.S. at 475 (quoting *Association of Data Processing Service Organizations* v. *Camp*, 397 U.S. 150, 153 (1970)). The requirement that a shareholder establish injury to rights specifically vested in it individually, distinct from those of the corporation, is undoubtedly a prudential rather than a constitutional one. It might or might not be a particular instance of the more general prudential standing principles quoted above. But in any event, the requirement must be satisfied.

[7] The text of these provisions is as follows.

Article I(1)

1. Each Party shall at all times accord fair and equitable treatment to the nationals and companies of the other Party, and to their property, enterprises and other interests.

be understood to vest rights in SPNV. The opinion of the Supreme Court in *Sumitomo Shoji America, Inc. v. Avagliano*, 457 U.S. 176 (1982), is instructive.

Article VI(3)

3. Neither Party shall take unreasonable or discriminatory measures that would impair the rights or interests within its territories of nationals and companies of the other Party, whether in their capital, or in their enterprises and the property thereof, or in the skills, arts or technology which they have supplied.

Article XI(1)

1. Nationals of either Party residing within the territories of the other Party, and nationals and companies of either Party engaged in trade or other gainful pursuit or in scientific, educational, religious or philanthropic activities within the territories of the other Party, shall not be subject to the payment of taxes, fees or charges imposed upon or applied to income, capital, transactions, activities or any other object, or to requirements with respect to the levy and collection thereof, within the territories of such other Party, more burdensome than those borne by nationals and companies of such other Party.

Article XI(3)

3. Nationals and companies of either Party shall in no case be subject, within the territories of the other Party, to the payment of taxes, fees or charges imposed upon or applied to income, capital, transactions, activities or any other object, or to requirements with respect to the levy and collection thereof, more burdensome than those borne by nationals, residents and companies of any third country.

Article XI(4)

4. In the case of companies and of nonresident nationals of either Party engaged in trade or other gainful pursuit within the territories of the other Party, such other Party shall not impose or apply any tax, fee or charge upon any income, capital or other basis in excess of that reasonably allocable or apportionable to its territories, nor grant deductions and exemptions less than those reasonably allocable or apportionable to its territories. A comparable rule shall apply also in the case of companies organized and operated exclusively for scientific, educational, religious or philanthropic purposes.

Sumitomo Shoji dealt with the question whether a U.S. corporation that was wholly owned by a Japanese general trading company was a company of Japan within the meaning of the Treaty of Friendship, Commerce and Navigation between Japan and the United States, April 2, 1953, 4 U.S.T. 2063, T.I.A.S. No. 2863, Article VIII(1) of which provides that "companies of either Party shall be permitted to engage, within the territories of the other Party . . . specialists of their choice." The Court concluded that locally incorporated subsidiaries of Japanese corporations are not companies of Japan, but rather companies of the United States.[8] In doing so, it relied on language identical to that in the closely similar U.S.-Netherlands Treaty.[9]

In the instant case, the treaty language upon which SPNV relies vests rights, if at all, in "nationals and companies of the

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[8] The significance of that issue was that Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §2000e *et seq.*, would apply to the U.S. subsidiary's employment practices if it was not a company of Japan protected by Article VIII(1) of the Treaty.

[9] The Treaty of Friendship, Commerce and Navigation, March 27, 1956, United States-Netherlands, 8 U.S.T. 2043, T.I.A.S. No. 3942, and the Treaty of Friendship, Commerce and Navigation, April 2, 1953, United States-Japan, 4 U.S.T. 2063, T.I.A.S. No. 2863, are two of the many Friendship, Commerce and Navigation treaties entered into by the United States after the Second World War. The two treaties are closely similar in structure, scope, purpose, and language, as the Government of Japan, appearing in this case as amicus curiae, points out. Not only are the portions of the Treaty with Japan relied on by the Supreme Court in *Sumitomo Shoji America, Inc. v. Avagliano*, 457 U.S. 176 (1982), substantially identical to their counterparts in the Treaty with the Netherlands (compare Article XXIII(3) of the Japanese Treaty with Article XXIII(3) of the Netherlands Treaty, and compare Articles VII(1), VII(4), VIII(1), and XVI(2) of the Japanese Treaty with the like-numbered provisions in the Netherlands Treaty), but portions of the Netherlands Treaty on which SPNV relies are closely similar to their counterparts in the Japanese Treaty (compare Article VI(3) of the Netherlands Treaty with Article V(1) of the Japanese Treaty, and compare Articles XI(1), XI(3), and XI(4) of the Netherlands Treaty with the like-numbered provisions in the Japanese Treaty).

[Netherlands]." *See* Article I(1); Article VI(3); Article XI(1), (3) and (4). It is clear that a company of the Netherlands which itself transacts business in the United States falls within the zone of interests sought to be protected by the Treaty; but it is also clear from *Sumitomo Shoji* that a U.S. corporation and its foreign parent are not mere extensions of each other, for Treaty purposes.

To extend the treaty language, by construction, specifically to protect Netherlands shareholders of U.S. corporations would in effect accord to those U.S. companies fortunate enough to have Netherlands companies or nationals among their shareholders rights not accorded to corporations the shareholders of which are all United States citizens. Such a result would be exactly contrary to the conclusion of a unanimous Court in *Sumitomo Shoji* that the purpose of the Frendship, Commerce and Navigation treaties negotiated in the post-World War II period was to assure foreign corporations the right to transact commercial business themselves, or to form locally incorporated subsidiaries, on an equal basis with U.S. concerns, and *not* to accord to the domestic subsidiaries of foreign parents rights not shared by other U.S. corporations. Id. at 188. Thus, the court will not strain to read into the Treaty an implied right of action by Netherlands shareholders of U.S. companies, as shareholders, when such a construction would, for example, permit SPNV to maintain an action to enjoin state tax assessments against Shell Oil, although U.S. oil companies not partially owned by a Netherlands shareholder would not have such a right of action. In view of the importance the Supreme Court has recently placed on the Tax Injunction Act, and in view of the fact that an action by shareholders to enjoin the collection of a state tax assessed against a corporation, such a construction of the Treaty would be particularly inappropriate in a tax case. It would contravene the purposes of the Act, *see* pp. 6-7, *supra*, by permitting such injunctions at all, and particularly by permitting them at the instance of U.S. corporations with Netherlands shareholders while denying them to U.S. corporations the shareholders of which do not include Netherlands nationals or companies.

Therefore, the court concludes that the Treaty in question here does not create a right of action in favor of Netherlands shareholders as shareholders to redress an injury to the corporation; and SPNV's standing cannot rest on the provisions of this Treaty.

Nor can SPNV's standing rest on the provisons of the Double Taxation Convention. The provision of the Convention on which SPNV relies, Article XXV(4), provides:

> (4) A corporation of one of the Contracting States, the capital of which is wholly or partly owned by one or more citizens or corporations of the other Contracting State, shall not be subjected in the former Contracting State to more burdensome taxes than is a corporation of the former Contracting State, the capital of which is wholly owned by the one or more citizens or corporations of that former Contracting State.

This provision, of course, vests rights, if at all, in the locally incorporated subsidiary of the foreign parent. Nothing is said about creating a right of action by the shareholder as a shareholder. Shell Oil and Scallop Nuclear might assert claims based on this provision, but SPNV may not.

Because neither the Treaty nor the Convention specifically creates a right of action by foreign shareholders, as shareholders, to redress an injury to a U.S. corporation, SPNV lacks standing to maintain its claim.

III. RIPENESS

Because SPNV has brought this action under 42 U.S.C. §1983, it is not to be subjected to a requirement that it exhaust its state administrative remedies. *Patsy v. Board of Regents*, 102 S.Ct. 2557, 73 L.Ed.2d 172 (1982). But the requirement that a controversy be ripe for adjudication applies to actions brought under §1983, even though the exhaustion requirement does not. *Portland Police Association v. City of Portland*, 658 F.2d 1272 (9th Cir. 1981). Even if SPNV had standing to maintain this action, it would have to be dismissed as unripe.

For a case to be justiciable, a plaintiff must complain of threatened injury that is both "certain" and "immediate". *Portland Police Association v. City of Portland*, 658 F.2d at 1273. Contingent events that might intervene at a future time and moot the controversy have often been held sufficient to require dismissal. *See id.* at 1274; *Excess and Casualty Reinsurance Association v. Insurance Commissioner of California*, 656 F.2d 491, 497 (9th Cir. 1981); *Stewart v. M.M. & P. Pension Plan*, 608 F.2d 776 (9th Cir. 1979). Moreover, if a state statute or regulation under attack has not yet been fully applied to the plaintiff by an administrative agency, the action would not be ripe "if the issue would be illuminated by the development of a better factual record. . . ." *Pacific Legal Foundation v. State Energy Resources Conservation & Development Commission*, 659 F.2d 903, 915 (9th Cir. 1981).

The present posture of this case at the administrative level, according to SPNV, is as follows. SPNV represents that the Board has demanded information of Scallop Nuclear, but that no notice of proposed assessment has yet been issued to Scallop Nuclear. Auditors for the Board have prepared a report proposing that the Board issue such a notice for tax years 1973-76, but the Board has not acted on this proposal. The Board has demanded information of Shell Oil, and issued to Shell Oil notices of proposed assessments for tax years 1967-72. These notices propose assessments of additional taxes, as well as penalties for failure to provide requested information. Shell Oil has formally protested the proposed assessments, and has petitioned the Board pursuant to Cal. Rev. & Tax. Code § 25137, requesting that the "unitary business enterprise" for purposes of Shell Oil's tax be reduced in scope to include only Shell Oil and its subsidiaries. The Board has not acted on its protest or petition. The Board is "preparing to issue" to Shell Oil notices of proposed assessments for tax years 1973-76; and these proposed assessments "may" also include proposed penalties for failure to supply requested information.

Because no notice of a proposed assessment has been submitted to Scallop Nuclear, the controversy is unripe as to that taxpayer. The threatened injury to Scallop Nuclear is not sufficiently certain and immediate to be justiciable. Shell Oil, of course, has allegedly been notified of a proposed assessment. But even as to Shell Oil the statute has not been fully applied. The statutory scheme at issue entitles the taxpayer to a hearing after the filing of its protest, with final action by the Board only after the hearing. An appeal lies to the State Board of Equalization. *See* Cal. Rev. & Tax. Code §§ 25665-25667. It does not appear that Shell Oil or Scallop Nuclear have undergone this process.

During the hearing and appeal process, the Franchise Tax Board and Board of Equalization would presumably be applying the Bank and Corporation Tax Law with the decisions of the Supreme Court in *Asarco Inc. v. Idaho State Tax Commission*, 102 S.Ct. 3103, 73 L.Ed.2d 787 (1982), and *F. W. Woolworth Co. v. Taxation and Revenue Department of New Mexico*, 102 S.Ct. 3128, 73 L.Ed.2d 819 (1982) in mind. These cases, decided while these motions were under submission, reversed state supreme court decisions that had upheld taxation of formula-apportioned income received from foreign subsidiaries of the taxpayers. They clarify the definition of "unitary business" which can pass muster under the due process clause. Just how the Board will apply the Bank and Corporation Tax Law now remains to be seen.

In the course of these proceedings, Shell Oil and Scallop Nuclear might be asked to provide financial information or pay penalties if they resist. Such demands might or might not be unlawful. But in view of both the strong congressional policy and the equity-based views of the Supreme Court that taxpayers ought first to subject themselves to the state's exactions as a precondition to a challenge to the lawfulness of its actions, *California v. Grace Brethren Church*, 102 S.Ct. at 2512-13; *Fair Assessment in Real Estate Association v. McNary*, 454 U.S. 100 (1981), this court will not interpose itself merely to prevent the state from demanding information of the taxpayers.

IV. CONCLUSION

In oral argument, SPNV cited *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10 (1963), as support for its contention that the international dimension of this case requires that this court reach the merits, even if problems of standing or ripeness might otherwise require it to stop short of a decision on the merits. But *McCulloch* does not stand for the proposition that a district court possesses the inherent power to brush aside doctrines of nonjusticiability merely because the subject matter of an action affects overseas interests. In *McCulloch*, the Court concluded that the district court had had jurisdiction to enjoin an order of the National Labor Relations Board requiring an election among seamen aboard a Honduran vessel. The Court held that the action fell within what is called the "limited" exhaustion doctrine exception of *Leedom v. Kyne*, 358 U.S. 184 (1958), which had permitted judicial intervention in acts of the Board that are " 'in excess of its delegated powers and contrary to a specific prohibition in the [National Labor Relations] Act.' " *McCulloch*, 372 U.S. at 16 (quoting *Leedom V. Kyne*, 358 U.S. at 188). The *McCulloch* Court remarked that an "overriding consideration" in permitting early intervention was the need for prompt judicial resolution of the controversy over the scope of the Board's power, in view of the "international problems for our Government" which the Board's assertion of power was then creating. *Id.* at 16, 17.

McCulloch is a far cry from this case. The federal forum in *McCulloch* was not confronted with state tax proceedings and the strong policy considerations underlying the Tax Injunction Act. This court will accept *McCulloch* for what it is, a "totally unique situation," *Confederated Independent Unions v. Rockwell-Standard Co.*, 465 F.2d 1137, 1141 n.11 (3d Cir. 1972), which should not be extended beyond its intended scope as a limited exception to requirements of exhaustion of administrative remedies in very rare circumstances.

It is therefore ordered that the action be DISMISSED.

Dated: August 1, 1983

/s/ MARILYN HALL PATEL

Marilyn Hall Patel
United States District Judge

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

SHELL PETROLEUM, N.V.,

Plaintiff/Appellant,

vs.

MARY ANN GRAVES, KENNETH CORY, ERNEST J. DRONENBURG, JR., individually and as members of, and GERALD H. GOLDBERG, individually and Executive Officer of, THE FRANCHISE TAX BOARD, STATE OF CALIFORNIA,

Defendants/Appellees.

No. 82-4535
DC CV 81-4302
MHP
JUDGMENT

APPEAL from the United States District Court for the Northern District of California.

THIS CAUSE came on to be heard on the Transcript of the Record from the United States District Court for the Northern District of California and was duly submitted.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is affirmed.

A TRUE COPY
ATTEST JUL 22 1983
PHILLIP B. WINBERRY
Clerk of Court
by: /s/ OSCAR TAGLE
Deputy Clerk

Filed and entered June 30, 1983

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

SHELL PETROLEUM N.V., *Plaintiff,* vs. MARY ANN GRAVES, KENNETH CORY, ERNEST J. DRONENBURG, JR., individually and as members of, and GERALD H. GOLDBERG, individually and as Executive Officer of, THE FRANCHISE TAX BOARD, STATE OF CALIFORNIA, *Defendants.*	No. C-81-4302 MHP JUDGMENT Fed. R. Civ. P. 58

This action having come before this Court, the Honorable Marilyn Hall Patel, United States District Judge, presiding, and the issues having been duly presented and a Memorandum Decision and Order having been duly filed herein.

IT IS ORDERED AND ADJUDGED that this action is dismissed.

/s/ MARILYN HALL PATEL
Marilyn Hall Patel
United States District Judge

10 August 1982.

CONSTITUTIONAL PROVISIONS INVOLVED

Article I, § 8, cl. 3 (Foreign Commerce Clause)

The Congress shall have Power . . . To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes. . . .

Article III, § 2 (Federal Judicial Power Clause)

The judicial Power shall extend to all cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority. . . .

Amend XIV, § 1 (Due Process Clause)

All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

Treaty of Friendship, Commerce and Navigation between the United States of America and the Kingdom of The Netherlands

Treaty, with protocol and exchange of notes, signed at The Hague March 27, 1956;

Ratification advised by the Senate of the United States of America July 11, 1956;

Ratified by the President of the United States of America September 14, 1956;

Ratified by the Netherlands September 20, 1957;

Ratifications exchanged at Washington November 5, 1957;

Proclaimed by the President of the United States of America November 15, 1957;

Entered into force December 5, 1957.

The United States of America and the Kingdom of the Netherlands, desirous of strengthening the bonds of peace and friendship traditionally existing between them and of encouraging closer economic and cultural relations between their peoples, and being cognizant of the contributions which may be made toward these ends by arrangements promoting mutually advantageous commercial intercourse, encouraging mutually beneficial investments, and establishing mutual rights and privileges, have resolved to conclude a Treaty of Friendship, Commerce and Navigation, based in general upon the principles of national and unconditional most-favored-nation treatment reciprocally accorded, and for that purpose have appointed as their Plenipotentiaries: the President of the United States of America: H.E. Mr. H. Freeman Matthews, Ambassador extraordinary and plenipotentiary of the United States of America at The Hague, and Her Majesty the Queen of the Netherlands: H.E. Dr. J. W. Beyen, Minister of Foreign Affairs, and H.E. Dr. J. M. A. H. Luns, Minister without Portfolio, who, having communicated to each other their full powers found to be in due form, have agreed as follows:

Article I

1. Each Party shall at all times accord fair and equitable treatment to the nationals and companies of the other Party, and to their property, enterprises and other interests.

2. Between the territories of the two Parties there shall be, in accordance with the provisions of the present Treaty, freedom of commerce and navigation.

Article II

1. Nationals of either Party shall be permitted to enter the territories of the other Party and to remain therein: (*a*) for the purpose of carrying on trade between the territories of the two Parties and engaging in related commercial activities; (*b*) for the purpose of developing and directing the operations of an enterprise in which they have invested, or in which they are actively in the process of investing, a substantial amount of capital; and (*c*) for other purposes subject to the laws relating to the entry and sojourn of aliens.

2. Each Party undertakes to make available the best facilities practicable for travel by tourists and other visitors with respect to their entry, sojourn and departure, and for the distribution of information for tourists.

3. Nationals of either Party, within the territories of the other Party, shall be permitted: (*a*) to travel therein freely, and to reside at places of their choice; (*b*) to enjoy liberty of conscience; (*c*) to hold both private and public religious services; (*d*) to gather and to transmit material for dissemination to the public abroad; and (*e*) to communicate with other persons inside and outside such territories by mail, telegraph and other means open to general public use.

4. The provisions of the present Article shall be subject to the right of either Party to apply measures that are necessary to maintain public order and protect the public health, morals and safety.

Article III

1. Nationals of either Party within the territories of the other Party shall be free from molestations of every kind, and shall receive the most constant protection and security. They shall be accorded in like circumstances treatment no less favorable than that accorded nationals of such other Party for the protection and security of their persons and their rights. The treatment accorded in this respect shall in no case be less favorable than that accorded nationals of any third country or that required by international law.

2. If, within the territories of either Party, a national of the other Party is taken into custody, the nearest consular representative of his country shall on the demand of such national be immediately notified and shall have the right to visit and communicate with such national. Such national shall: (*a*) receive reasonable and humane treatment; (*b*) be promptly informed of the accusations against him; (*c*) be brought to trial as promptly as is consistent with the proper preparation of his defense; and (*d*) enjoy all means reasonably necessary to his defense, including the services of competent counsel of his choice.

Article IV

1. Nationals of either Party shall be accorded national treatment in the application of laws and regulations within the territories of the other Party that establish a pecuniary compensation or other benefit of service, on account of disease, injury or death arising out of and in the course of employment or due to the nature of employment.

2. In addition to the rights and privileges provided in paragraph 1 of the present Article, nationals of either Party shall, within the territories of the other Party, be accorded national treatment in the application of laws and regulations establishing compulsory systems of social security, under which benefits are paid without an individual test of financial need in the following cases: (*a*) sickness, including temporary disability

for work, and maternity; (*b*) invalidity, or occupational disability; (*c*) death of father, spouse, or any other person liable for maintenance; (*d*) unemployment.

Article V

1. Nationals and companies of either Party shall be accorded national treatment with respect to access to the courts of justice and to administrative tribunals and agencies within the territories of the other Party, in all degrees of jurisdiction, both in pursuit and in defense of their rights. It is understood that companies of either Party not engaged in activities within the territories of the other Party shall enjoy such access therein without any requirement of registration or domestication.

2. (*a*) Contracts entered into between nationals or companies of either Party and nationals or companies of the other Party, that provide for the settlement by arbitration of controversies, shall not be deemed unenforceable within the territories of such other Party merely on the grounds that the place designated for the arbitration proceedings is outside such territories or that the nationality of one or more of the arbitrators is not that of such other Party. *(b)* In conformity with subparagraphs (*1*) and (*2*) hereof, awards duly rendered pursuant to any such contracts, which are final and enforceable under the laws of the place where rendered, shall be deemed conclusive in enforcement proceedings brought before the courts of competent jurisdiction of either Party. (*1*) As regards recognition and enforcement in the United States of America, such awards shall be entitled in any court in any State thereof only to the same measure of recognition and enforcement as awards rendered in other States thereof. (*2*) As regards enforcement in the Kingdom of the Netherlands, such awards shall be dealt with in the same way as awards as referred to in the Convention on the execution of foreign arbitral awards concluded at Geneva on September 26, 1927.

Article VI

1. Property of nationals and companies of either Party shall receive the most constant protection and security within the territories of the other Party.

2. The dwellings, offices, warehouses, factories and other premises of nationals and companies of either Party located within the territories of the other Party shall not be subject to molestation or to entry without just cause. Official searches and examinations of such premises and their contents, when necessary, shall be made only according to law and with careful regard for the convenience of the occupants and the conduct of business.

3. Neither Party shall take unreasonable or discriminatory measures that would impair the rights or interests within its territories of nationals and companies of the other Party, whether in their capital, or in their enterprises and the property thereof, or in the skills, arts or technology which they have supplied.

4. Property of nationals and companies of either Party shall not be taken within the territories of the other Party except for a public interest, nor shall it be taken without the prompt payment of just compensation. Such compensation shall be in an effectively realizable form and shall represent the equivalent of the property taken; and adequate provision shall have been made at or prior to the time of taking for the determination and payment thereof.

5. Nationals and companies of either Party shall in no case be accorded, within the territories of the other Party, less than national treatment and most-favored-nation treatment with respect to the matters set forth in paragraphs 2 and 4 of the present Article. Moreover, enterprises in which nationals and companies of either Party have a substantial interest shall be accorded, within the territories of the other Party, not less than national treatment and most-favored-nation treatment in all matters relating to the taking of privately owned enterprises into public ownership and to the placing of such enterprises under public control or administration.

Article VII

1. Nationals and companies of either Party shall be accorded national treatment with respect to engaging in all types of commercial, industrial, financial and other activity for gain (business activities) within the territories of the other Party, whether directly or by agent or through the medium of any form of lawful juridical entity. Accordingly, such nationals and companies shall be permitted within such territories: (*a*) to establish and maintain branches, agencies, offices, factories and other establishments appropriate to the conduct of their business; (*b*) either directly or indirectly through one or more intermediaries, to organize companies under the general company laws of such other Party and to acquire the controlling interest in companies of such other Party; (*c*) to control and manage enterprises which they have established or acquired. Moreover, enterprises which they control, whether in the form of individual proprietorships, companies or otherwise, shall in all that relates to the conduct of the activities thereof, be accorded treatment no less favorable than that accorded like enterprises controlled by nationals and companies of such other Party.

2. Each Party reserves the right to limit the extent to which aliens may within its territories establish, acquire interests in, or carry on enterprises engaged in communications, air or water transport, banking involving depository or fiduciary functions, or the exploitation of land or other natural resources. However, new limitations imposed by either Party upon the extent to which aliens are accorded national treatment, with respect to carrying on such activities within its territories, shall not be applied as against enterprises which are engaged in such activities therein at the time such new limitations are adopted and which are owned or controlled by nationals and companies of the other Party. Moreover, neither Party shall deny to transportation, communications and banking companies of the other Party the right to maintain branches and agencies, in conformity with the applicable laws and regulations, to perform

functions necessary for essentially international operations in which they engage.

3. The provisions of paragraph 1 of the present Article shall not prevent either Party from prescribing special formalities in connection with the establishment of alien-controlled enterprises within its territories; but such formalities may not impair the substance of the rights set forth in said paragraph.

4. Nationals and companies of either Party, as well as enterprises controlled by such nationals and companies, shall in any event be accorded most-favored-nation treatment with reference to the matters treated in the present Article.

Article VIII

1. Nationals and companies of either Party shall be permitted to engage, within the territories of the other Party, accountants and other technical experts, executive personnel, attorneys, agents and other specialists of their choice. Moreover, such nationals and companies shall be permitted to engage accountants and other technical experts regardless of the extent to which they may have qualified for the practice of a profession within the territories of such other Party, for the particular purpose of making examinations, audits and technical investigations for, and rendering reports to, such nationals and companies in connection with the planning and operation of their enterprises, and enterprises in which they have a financial interest, within such territories.

2. Nationals and companies of either Party shall be accorded national treatment and most-favored-nation treatment with respect to engaging in scientific, educational, religious and philanthropic activities within the territories of the other Party, and shall be accorded the right to form associations for that purpose under the laws of such other Party.

Article IX

1. Nationals and companies of the Kingdom of the Netherlands shall be accorded, within the territories of the United States of America: (*a*) national treatment with respect to leasing land, buildings and other real property appropriate to the conduct of activities in which they are permitted to engage pursuant to Articles VII and VIII and for residential purposes and with respect to occupying and using such property; and (*b*) other rights in real property permitted by the applicable laws of the States, Territories and possessions of the United States of America.

2. Nationals and companies of the United States of America shall be accorded, within the territories of the Kingdom of the Netherlands, national treatment with respect to acquiring by purchase, lease, or otherwise, and with respect to owning, occupying and using land, buildings and other real property. However, in the case of any such national domiciled in, or any such company constituted under the laws of, any State, Territory or possession of the United States of America that accords less than national treatment to nationals and companies of the Kingdom of the Netherlands in this respect, the Kingdom of the Netherlands shall not be obligated to accord to such national or company treatment more favorable in this respect than such State, Territory or possession accords to nationals and companies of the Kingdom of the Netherlands.

3. Nationals and companies of either Party shall be accorded within the territories of the other Party national treatment and most-favored-nation treatment with respect to acquiring, by purchase, lease, or otherwise, and with respect to owning and possessing, personal property of all kinds, both tangible and intangible. However, either Party may impose restrictions on alien ownership of materials dangerous from the standpoint of public safety and alien ownership of interests in enterprises carrying on particular types of activity, but only to the extent that this can be done without impairing the rights and privileges secured by Article VII or by other provisions of the present Treaty.

4. Nationals and companies of either Party shall be accorded national treatment within the territories of the other Party with respect to acquiring property of all kinds by testate or intestate succession or through judicial process. Should they because of their alienage be ineligible to continue to own any such property, they shall be allowed a reasonable period in which to dispose of it, in a normal manner at its market value.

5. Nationals and companies of either Party shall be accorded within the territories of the other Party national treatment and most-favored-nation treatment with respect to disposing of property of all kinds. Furthermore, with respect to the acquisition, ownership, use and disposition of property of all kinds within the territories of either Party, companies constituted under the laws of that Party, which are controlled by nationals and companies of the other Party, shall be accorded treatment no less favorable than that accorded within such territories to companies of such other Party or to companies similarly constituted which are controlled by nationals and companies of any third country.

Article X

1. Nationals and companies of either Party shall be accorded, within the territories of the other Party, national treatment with respect to obtaining and maintaining patents of invention, and with respect to rights in trade marks, trade names, trade labels and industrial property of every kind.

2. The Parties agree as to the desirability of furthering, through cooperative or other appropriate means, the interchange and use of scientific and technical knowledge, particularly in the interest of increasing productivity and improving standards of living within their respective territories.

Article XI

1. Nationals of either Party residing within the territories of the other Party, and nationals and companies of either Party

engaged in trade or other gainful pursuit or in scientific, educational, religious or philanthropic activities within the territories of the other Party, shall not be subject to the payment of taxes, fees or charges imposed upon or applied to income, capital, transactions, activities or any other object, or to requirements with respect to the levy and collection thereof, within the territories of such other Party, more burdensome than those borne by nationals and companies of such other Party.

2. With respect to nationals of either Party who are neither resident nor engaged in trade or other gainful pursuit within the territories of the other Party, and with respect to companies of either Party which are not engaged in trade or other gainful pursuit within the territories of the other Party, it shall be the aim of such other Party to apply in general the principle set forth in paragraph 1 of the present Article.

3. Nationals and companies of either Party shall in no case be subject, within the territories of the other Party, to the payment of taxes, fees or charges imposed upon or applied to income, capital, transactions, activities or any other object, or to requirements with respect to the levy and collection thereof, more burdensome than those borne by nationals, residents and companies of any third country.

4. In the case of companies and of non-resident nationals of either Party engaged in trade or other gainful pursuit within the territories of the other Party, such other Party shall not impose or apply any tax, fee or charge upon any income, capital or other basis in excess of that reasonably allocable or apportionable to its territories, nor grant deductions and exemptions less than those reasonably allocable or apportionable to its territories. A comparable rule shall apply also in the case of companies organized and operated exclusively for scientific, educational, religious or philanthropic purposes.

5. Each Party reserves the right to: (*a*) extend specific tax advantages on the basis of reciprocity; (*b*) accord special tax advantages by virtue of agreements for the avoidance of double taxation or the mutual protection of revenue; and (*c*) accord to

its own nationals and to residents of contiguous countries more favorable exemptions of a personal nature with respect to income and inheritance taxes than are accorded to other non-resident persons.

Article XII

1. Nationals and companies of either Party shall be accorded by the other Party national treatment and most-favord-nation treatment with respect to payments, remittances and transfers of funds or financial instruments between the territories of the two Parties as well as between the territories of such other Party and of any third country.

2. Neither Party shall impose exchange restrictions as defined in paragraph 5 of the present Article except to the extent necessary to maintain or restore adequacy in its monetary reserves, particularly in relation to its external commercial and financial requirements. It is understood that the provisions of the present Article do not alter the obligations either Party may have to the International Monetary Fund or preclude imposition of particular restrictions whenever the Fund specifically authorizes or requests a Party to impose such particular restrictions.

3. If either Party imposes exchange restrictions in accordance with paragraph 2 of the present Article, it shall, after making whatever provision may be necessary to assure the availability of foreign exchange for goods and services essential to the health and welfare of its people, make reasonable provision for the withdrawal, in foreign exchange in the currency of the other Party, of: (*a*) the compensation referred to in Article VI, paragraph 4, (*b*) earnings, whether in the form of salaries, interest, dividends, commissions, royalties, payments for technical services, or otherwise, and (*c*) amounts for amortization of loans, depreciation of direct investments, and capital transfers to the extent feasible, giving consideration to special needs for other transactions. If more than one rate of

exchange is in force, the rate applicable to such withdrawals shall be a rate which is specifically approved by the International Monetary Fund for such transactions or, in the absence of a rate so approved, an effective rate which, inclusive of any taxes or surcharges on exchange transfers, is just and reasonable.

4. Exchange restrictions shall not be imposed by either Party in a manner unnecessarily detrimental or arbitrarily discriminatory to the claims, investments, transport, trade, and other interests of nationals and companies of the other Party, nor to the competitive position thereof. Each Party shall afford the other Party adequate opportunity for consultation at any time regarding application of the present Article.

5. The term "exchange restrictions" as used in the present Article includes all restrictions, regulations, charges, taxes, or other requirements imposed by either Party which burden or interfere with payments, remittances, or transfers of funds or of financial instruments between the territories of the two Parties.

6. Questions arising under the present Treaty concerning exchange control are governed by the provisions of the present Article.

Article XIII

Commercial travelers representing nationals and companies of either Party engaged in business within the territories thereof shall, upon their entry into and departure from the territories of the other Party and during their sojourn therein, be accorded most-favored-nation treatment in respect of the customs and other matters, including, subject to the exceptions in paragraph 5 of Article XI, taxes and charges applicable to them, their samples and the taking of orders, and regulations governing the exercise of their functions.

Article XIV

1. Each Party shall accord most-favored-nation treatment to products of the other Party, from whatever place and by whatever type of carrier arriving, and to products destined for exportation to the territories of such other Party, by whatever route and by whatever type of carrier, with respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation.

2. Neither Party shall impose restrictions or prohibitions on the importation of any product of the other Party, or on the exportation of any product to the territories of the other Party, unless the importation of the like product of, or the exportation of the like product to, all third countries is similarly restricted or prohibited.

3. If either Party imposes quantitative restrictions on the importation or exportation of any product in which the other Party has an important interest: (*a*) it shall as a general rule give prior public notice of the total amount of the product, by quantity or value, that may be imported or exported during a specified period, and of any change in such amount or period; and (*b*) if it makes allotments to any third country, it shall afford such other Party a share proportionate to the amount of the product, by quantity or value, supplied by or to it during a previous representative period, due consideration being given to any special factors affecting the trade in such product.

4. Either Party may impose prohibitions or restrictions on sanitary or other customary grounds of a non-commercial nature, or in the interest of preventing deceptive or unfair practices, provided such prohibitions or restrictions do not arbitrarily discriminate against the commerce of the other Party.

5. Nationals and companies of either Party shall be accorded national treatment and most-favored-nation treatment by the other Party with respect to all matters relating to importation and exportation.

6. Notwithstanding the provisions of paragraphs 2 and 3 (*b*) of the present Article, a Party may apply restrictions or controls on importation and exportation of goods that have effect equivalent to, or which are necessary to make effective, exchange restrictions applied pursuant to Article XII. However, such restrictions or controls shall depart no more than necessary from the aforesaid paragraphs and shall be conformable with a policy designed to promote the maximum development of nondiscriminatory foreign trade and to expedite the attainment both of a balance-of-payments position and of monetary reserves which will obviate the necessity of such restrictions.

Article XV

1. Each Party shall promptly publish laws, regulations and administrative rulings of general application pertaining to rates of duty, taxes or other charges, to the classification of articles for customs purposes, and to requirements or restrictions on imports and exports or the transfer of payments therefor, or affecting their sale, distribution or use; and shall administer such laws, regulations and rulings in a uniform, impartial and reasonable manner. As a general practice, new administrative requirements or restrictions affecting imports, with the exception of those imposed on sanitary grounds or for reasons of public safety, shall not go into effect before the expiration of a reasonable time, in the light of circumstances.

2. Each Party shall provide an appeals procedure under which nationals and companies of the other Party, and importers of products of such other Party, shall be able to obtain prompt and impartial review, and correction when warranted, of administrative action relating to customs matters, including the imposition of fines and penalties, confiscations, and rulings on questions of customs classification and valuation by the administrative authorities.

3. Penalties imposed by either Party for infractions of the customs and shipping laws and regulations concerning documentation shall be no greater than necessary to serve merely as a warning in the case of clerical errors and of errors made without fraudulent intent or gross negligence.

4. With reference to marking requirements applicable to imported products, each Party shall as a general practice: (*a*) allow required marks of origin to be affixed after importation; (*b*) not permit markings that result in misrepresenting the true origin of the products; and (*c*) not apply requirements that entail an expense which is economically prohibitive or that result in seriously damaging the product.

5. Neither Party shall impose any measure of a discriminatory nature that hinders or prevents the importer or exporter of products of either country from obtaining marine insurance on such products in companies of either Party.

Article XVI

1. Products of either Party shall be accorded, within the territories of the other Party, national treatment and most-favored-nation treatment in all matters affecting internal taxation, sale, distribution, storage and use.

2. Articles produced by nationals and companies of either Party within the territories of the other Party, or by companies of the latter Party controlled by such nationals and companies, shall be accorded therein treatment no less favorable than that accorded to like articles of national origin by whatever person or company produced, in all matters affecting exportation, taxation, sale, distribution, storage and use.

Article XVII

1. Each Party undertakes (*a*) that enterprises owned or controlled by its Government, and that monopolies or agencies granted exclusive or special privileges within its territories, shall make their purchases and sales involving either imports or

exports affecting the commerce of the other Party solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale; and (*b*) that the nationals, companies and commerce of such other Party shall be afforded adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases and sales.

2. Each Party shall accord to the nationals, companies and commerce of the other Party fair and equitable treatment, as compared with that accorded to the nationals, companies and commerce of any third country, with respect to: (*a*) the governmental purchase of supplies; (*b*) the awarding of concessions and other government contracts; and (*c*) the sale of any service sold by the Government or by any monopoly or agency granted exclusive or special privileges.

Article XVIII

1. The Parties recognize that conditions of competitive equality should be maintained in situations in which publicly owned or controlled trading or manufacturing enterprises of either Party engage in competition, within the territories thereof, with privately owned and controlled enterprises of nationals and companies of the other Party. Accordingly, such state-owned enterprises should not be given special economic privileges in order to injure the competitive position of such private enterprises. However, this principle shall not be construed to prevent either Party from making such special concessions in aid of state-owned enterprises as it deems necessary during periods of economic crises, especially to relieve unemployment. This principle, moreover, is without prejudice to special advantages given in connection with: (*a*) manufacturing goods for government use, or supplying goods and services to the Government for government use; or (*b*) supplying, at prices substantially below competitive prices, the needs of particular population groups for essential goods and services not otherwise practically obtainable by such groups.

2. No enterprise of either Party, including corporations, associations, and government agencies and instrumentalities, which is publicly owned or controlled shall, to the extent that it engages in commercial, industrial, shipping or other business activities within the territories of the other Party, claim or enjoy, either for itself or for its property, immunity therein from taxation, suit, execution of judgment or other liability to which privately owned and controlled enterprises are subject therein.

Article XIX

1. Vessels under the flag of either Party, and carrying the papers required by its laws in proof of nationality, shall be deemed to be vessels of that Party both on the high seas and within the ports, places and waters of the other Party.

2. Vessels of either Party shall have liberty, on equal terms with vessels of the other Party and on equal terms with vessels of any third country, to come with their cargoes to all ports, places and waters of such other Party open to foreign commerce and navigation. Such vessels and cargoes shall in all respects be accorded national treatment and most-favored-nation treatment within the ports, places and waters of such other Party; but each Party may reserve exclusive rights and privileges to its own vessels with respect to the coasting trade and inland navigation.

3. Vessels of either Party shall be accorded national treatment and most-favored-nation treatment with respect to the right to carry all cargo that may be carried by vessel to or from the territories of the other Party.

4. Goods carried by vessels under the flag of either Party to or from the territories of the other Party shall enjoy the same favors as when transported in vessels sailing under the flag of such other Party. This applies especially with regard to customs duties and all other fees and charges, to bounties, drawbacks and other privileges of this nature, as well as to the administration of the customs and to transport to and from port by rail and other means of transportation.

5. If a vessel of either Party runs aground or is wrecked on the coasts of the other Party, or if it is in distress and must put into a port of the other Party, the latter Party shall extend to the vessel as well as to the crew, the passengers, the personal property of crew and passengers, and to the cargo of the vessel, the same protection and assistance as would have been extended to a vessel under its own flag in like circumstances; and shall permit the vessel after repairs to proceed with its voyage upon conformity with the laws applicable alike to vessels under its own flag. Articles salvaged from the vessel shall be exempt from all customs duties unless they pass into internal consumption; but articles not entered for consumption may be subject to measures for the protection of the revenue pending their exit from the country.

6. The term "vessels", as used herein, means all types of vessels, whether privately owned or operated, or publicly owned or operated, except vessels of war. This term does not, except with reference to paragraphs 1 and 5 of the present Article and Article XX, include fishing vessels.

Article XX

1. In all ports of either Party the masters of all vessels under the flag of the other Party, whose crews have ceased to be fully constituted on account of illness or for any other cause, shall be permitted to engage such seamen as may be necessary for the continuation of the voyage.

2. Nationals of either Party who are seamen may be sent to ports of the other Party to join national vessels, in care of consular officers, either individually or in groups on the basis of seamen's papers issued in lieu of passports. Likewise, nationals of either Party shall be permitted to travel through the territory of the other Party on their way to join vessels or to be repatriated on the basis of seamen's papers used in lieu of passports.

Article XXI

There shall be freedom of transit through the territories of each Party by the routes most convenient for international transit: (*a*) for nationals of the other Party, together with their baggage; (*b*) for other persons, together with their baggage, en route to or from the territories of such other Party; and (*c*) for products of any origin en route to or from the territories of such other Party. Such persons and things in transit shall be exempt from customs duties, from duties imposed by reason of transit, and from unreasonable charges and requirements; and shall be free from unnecessary delays and restrictions. They shall, however, be subject to measures referred to in paragraph 4 of Article II, and to nondiscriminatory regulations necessary to prevent abuse of the transit privilege.

Article XXII

1. The present Treaty shall not preclude the application of measures by either Party: (*a*) regulating the importation or exportation of gold or silver; (*b*) relating to fissionable materials, to radioactive by-products of the utilization or processing thereof, or to materials that are the source of fissionable materials; (*c*) regulating the production of or traffic in arms, ammunition and implements of war, or traffic in other materials carried on directly or indirectly for the purpose of supplying a military establishment; (*d*) necessary to fulfil its obligations for the maintenance or restoration of international peace and security, or necessary to protect its essential security interests; (*e*) denying to any company in which nationals of any third country or countries enjoy directly or indirectly the controlling interest, the advantages of the present Treaty, except with respect to recognition of juridical status and with respect to access to courts; and (*f*) regarding its national fisheries and the landing of the products thereof.

2. The most-favored-nation provisions of the present Treaty shall not apply to advantages accorded by: (*a*) the

United States of America or its Territories and possessions to one another, to the Republic of Cuba, to the Republic of the Philippines, to the Trust Territory of the Pacific Islands or to the Panama Canal Zone; or (*b*) by the Parts of the Kingdom of the Netherlands to one another, by the Netherlands to its Benelux-partners (Belgium, including its Overseas and Trust Territories, and Luxembourg), or by the Kingdom of the Netherlands to the Republic of Indonesia.

3. The most-favored-nation treatment provisions of the present Treaty shall not apply to advantages accorded by either Party to adjacent countries in order to facilitate frontier traffic, or by virtue of a customs union or free trade area of which either Party may become a member, after having informed the other Party of its plans and having afforded it opportunity to express its views thereon.

4. The provisions of the present Treaty relating to the treatment of goods shall not preclude action by either Party which is required or specifically permitted under the General Agreement on Tariffs and Trade during such time as such Party is a contracting party to the General Agreement. Similarly, the most-favored-nation provisions of the present Treaty shall not apply to special advantages accorded by virtue of the aforesaid Agreement.

5. Nationals of either Party admitted into the territories of the other Party for limited purposes shall not enjoy rights to engage in gainful occupations in contravention of limitations expressly imposed, according to law, as a condition of their admittance.

6. Nothing in the present Treaty shall be deemed to grant or imply any right to engage in political activities.

Article XXIII

1. The term "national treatment" means treatment accorded within the territories of a Party upon terms no less favorable than the treatment accorded therein, in like situations, to nationals, companies, products, vessels or other objects, as the case may be, of such Party.

2. The term "most-favored-nation treatment" means treatment accorded within the territories of a Party upon terms no less favorable than the treatment accorded therein, in like situations, to nationals, companies, products, vessels or other objects, as the case may be, of any third country.

3. As used in the present Treaty, the term "companies" means corporations, partnerships, companies, foundations, associations, and other legal entities or juridical persons, whether or not with limited liability and whether or not for pecuniary profit. Companies constituted under the applicable laws and regulations within the territories of either Party shall be deemed companies thereof and shall have their juridical status recognized within the territories of the other Party.

4. National treatment accorded under the provisions of the present Treaty to companies shall: (*a*) as regards companies of the Kingdom of the Netherlands, in any State, Territory or possession of the United States of America, be the treatment accorded therein to companies created or organized in other States, Territories and possessions of the United States of America; and (*b*) as regards companies of the United States of America, in any Part of the Kingdom of the Netherlands, be the treatment accorded therein to companies created or organized in any other Part of the Kingdom. Furthermore, in any Part of the Kingdom of the Netherlands outside Europe, national treatment accorded to nationals of the United States of America shall be the treatment accorded in such Part to Netherlands nationals not born in that Part.

Article XXIV

The territories to which the present Treaty extends shall comprise all areas of land and water under the jurisdiction of each Party, as well as any territory for which it has international responsibility, other than the Panama Canal Zone and the Trust Territory of the Pacific Islands, provided that it shall not apply with respect to Surinam or the Netherlands Antilles, respectively, until one month after the receipt by the Government of the

United States of America of notifications of such application by the Kingdom of the Netherlands.

Article XXV

1. Each Party shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as the other Party may make with respect to any matter affecting the operation of the present Treaty.

2. Any dispute between the Parties as to the interpretation or application of the present Treaty, not satisfactorily adjusted by diplomacy, shall be submitted to the International Court of Justice, unless the Parties agree to settlement by some other pacific means.

Article XXVI

The present Treaty shall replace the convention of commerce and navigation signed at Washington August 26, 1852, and the agreement in regard to trade marks effected by exchange of notes signed at Washington February 10 and 16, 1883.

Article XXVII

1. The present Treaty shall be ratified, and the ratifications thereof shall be exchanged at Washington as soon as possible.

2. The present Treaty shall enter into force one month after the day of exchange of ratifications. It shall remain in force for ten years and shall continue in force thereafter until terminated as provided herein.

3. Either Party may, by giving one year's written notice to the other Party, terminate the present Treaty at the end of the initial ten-year period or at any time thereafter with respect to all the territories to which it applies or with respect to Surinam or the Netherlands Antilles.

IN WITNESS WHEREOF the respective Plenipotentiaries have signed the present Treaty and have affixed hereunto their seals.

DONE in duplicate, in the English and Netherlands languages, both texts being equally authentic, at The Hague, this 27th day of March, one thousand nine hundred fifty-six.

For the United States of America:

H. FREEMAN MATTHEWS

For the Kingdom of the Netherlands:

J W BEYEN
J M A H LUNS

[SEAL]

Protocol

At the time of signing the Treaty of Friendship, Commerce and Navigation between the United States of America and the Kingdom of the Netherlands, the undersigned Plenipotentiaries, duly authorized by their respective Governments, have further agreed on the following provisions, which shall be considered integral parts of the aforesaid Treaty:

1. The spouse and unmarried minor children of a person permitted entry under the provisions of Article II, paragraph 1 (*a*) and (*b*), shall also be permitted entry if accompanying him or following to join him.

2. The provisions of Article II, paragraph 1 (*b*), shall be construed to extend to persons who represent nationals and companies of the same nationality which have invested or are actively in the process of investing a substantial amount of capital in an enterprise in the territories of the other Party, and who are employed by such nationals and companies in a responsible capacity.

3. With respect to Article II, paragraph 1, and the first sentence of Article VIII, paragraph 1, nationals of the United States of America shall be accorded in any Part of the Kingdom of the Netherlands outside Europe the treatment accorded therein to Netherlands nationals not born in that Part.

4. The provisions of Article IV, paragraph 2, refer only to laws or regulations which either are national laws or regulations or are based in whole or in part on requirements of national laws or regulations. Moreover, that paragraph shall not be construed to prevent a Party from relieving aliens temporarily resident within its territories from coverage under its contributory social security system.

5. The term "access" as used in Article V, paragraph 1, comprehends, among other things, legal aid, costfree access to the courts and exemption from security for costs.

6. The provisions of Article VI, paragraph 4, providing for the payment of compensation shall extend to interests held directly or indirectly by nationals and companies of either Party in property which is taken within the territories of the other Party.

7. The provisions of Article VII do not obligate either Party to permit nationals and companies of the other Party to carry on businesses in its territories without fulfilling the requirements which are generally applicable by law.

8. The activities referred to in Article VII, paragraph 1, do not include the practice of professions.

9. With reference to Article VII, paragraph 1, it is understood that either Party may, consistently with the terms and intent of the Treaty, apply special requirements to alien insurance companies with a view to assuring that such companies maintain standards of accountability and solvency comparable with those required of like domestic companies, so long as such requirements do not have the effect of discrimination in substance against such alien companies.

10. It is agreed that, on a reciprocity basis, the first sentence of Article VII, paragraph 2, shall not apply to the establishment of, or the acquisition of interests in, or the control, operation and management of, companies of either Party for engaging in the exploration for and exploitation of petroleum and other mineral resources within the territories of that Party, by nationals or companies of the other Party.

11. The provisions of the first sentence of Article VIII, paragraph 1, shall not be construed to affect the right of the Netherlands to require that aliens may not be employed in the Netherlands unless the appropriate permits have been granted. However, in keeping with the terms of that paragraph, the regulations governing employment shall be applied in a liberal fashion.

12. Nothing in the present Treaty shall be construed to supersede any provision of the Convention between the Kingdom of the Netherlands and the United States of America with respect to taxes on income and certain other taxes, signed at Washington April 29, 1948.

13. The treatment provided in Article XII, paragraph 1, as clarified by reference to Article XXIII, paragraphs 1 and 2, is designed only to preclude discrimination on the ground of nationality and does not, for instance, preclude different treatment of different currencies or the application of residence requirements.

14. Either Party may impose restrictions on the introduction of foreign capital as may be necessary to protect its monetary reserves as provided in Article XII, paragraph 2, or to prevent serious monetary disturbances arising from speculative financial operations.

15. It is understood that for the purposes of Article XVII, paragraph 1, availability of means of payment is considered to be a commercial consideration.

16. The provisions of Article XVII, paragraph 2 (*b*) and (*c*), and of Article XIX, paragraph 3, shall not apply to postal services.

17. It is understood that the word "cargoes" as used in paragraph 2 and the word "cargo" as used in paragraph 3, of Article XIX, shall be deemed to comprehend passengers as well as goods.

18. With reference to Article XXII, paragraph 1 (*d*), it is understood that it is not the purpose of the security reservation to create a basis for unduly prolonged departures from any provision of the Treaty. On the other hand, each Party determines, according to its own best judgment, the measures deemed necessary to protect its essential security interests.

19. The provisions of Article XXII, paragraph 2, shall apply in the case of Puerto Rico regardless of any change that may take place in its political status.

20. Article XXIV does not apply to territories under the authority of either Party solely as a military base or by reason of temporary military occupation.

IN WITNESS WHEREOF the respective Plenipotentiaries have signed the present Protocol and have affixed hereunto their seals.

DONE in duplicate, in the English and Netherlands languages, both texts being equally authentic, at The Hague, this 27th day of March, one thousand nine hundred fifty-six.

For the United States of America:

H. FREEMAN MATTHEWS

For the Kingdom of the Netherlands:

J W BEYEN
J M A H LUNS

[SEAL]

DIPLOMATIC CORRESPONDENCE CONCERNING UNITARY TAXATION

Notes by the European Economic Community

EMBASSY OF GREECE
Washington, D.C.

The Embassy of Greece presents its compliments to the Department of State and, on behalf of the Ten European Community Governments, of which the Government of Greece has now the presidency, it has the honor to forward the attached Note on the problems of the unitary method of taxation.

The Embassy of Greece welcomes the opportunity to renew to the Department of State the assurances of its highest consideration.

Washington, D.C., August 1, 1983

ATTACHED: Note

THE DEPARTMENT OF STATE
WASHINGTON, D.C.

[SEAL]

UNITARY TAXATION

I. Our governments refer to their note on unitary taxation forwarded to the Department of State by the Embassy of Belgium on 29 June 1982.

II. That note drew the attention of the State Department to the case before the Supreme Court of the Container Corporation of America versus the California Franchise Tax Board and urged as a matter of high priority that the government of the United States should participate in that case as amicus curiae. The decision was handed down by the court on 27 June, 1983, and the court found that application of the unitary business principle by the State of California to Container Corporation and its foreign subsidiaries was proper. A majority of justices held that that fact that no brief had been submitted on behalf of the United States government meant there was no indication that the position taken by the government in the case of the Chicago Bridge and Iron Company still represented its views or that the brief in the Chicago Bridge case applied to the Container case.

III. Although the Supreme Court decision did not apply to US companies with foreign parents, our governments were disappointed by the Container decision. They remain convinced that the unitary basis of taxation with combined reporting, particularly as applied in the international field, is unsatisfactory. Our governments therefore urge that the United States government should give strong support to legislation to ensure that States do not use that method of taxation at least for the subsidiaries of foreign corporations. There are currently two relevant bills in Congress, HR 2918 and S. 1225.

IV. It is particularly important that federal legislation should be adopted at an early stage since there are already signs that, following the decision in the Container case, other American States not at present using this method are contemplating adopting worldwide combined reporting.

AMBASSADE DE BELGIQUE

The Embassy of Belgium presents its compliments to the Department of State and, on behalf of the Ten E.C. Governments, of which the Government of Belgium has now the presidency, it has the honor to forward the attached Note on the problems of the unitary method of taxation.

The Embassy of Belgium welcomes the opportunity to renew to the Department of State the assurances of its highest consideration.

Washington, D.C., June 29, 1982

ATTACHED: Note

THE DEPARTMENT OF STATE
WASHINGTON, D.C.

[SEAL]

UNITARY TAXATION

1. Our Governments refer to their Note on unitary taxation forwarded on their behalf to the Department of State on 30 October 1981 by Her Britannic Majesty's Embassy.

2. Our Governments remain firmly convinced that the unitary basis of taxation with combined reporting, particularly as applied in the international field, is entirely unsatisfactory.

3. As was pointed out in that Note, unless the same basic rules for calculating taxable profits are followed generally by the main trading nations it will be impossible to achieve the essential objective of providing a consistent and coherent international tax framework for trade and investment.

4. Our Governments wish to draw the attention of the State Department to the case of Container Corporation of America vs Franchise Tax Board which we understand is to be heard in the Supreme Court of the United States during the October Term 1982, and urge as a matter of high priority that the Government of the United States should participate in this case as amicus curiae.

BRITISH EMBASSY

Note No. 211

Her Britannic Majesty's Embassy present their compliments to the Department of State and, on behalf of the Ten EEC Governments, of which the British Government has now the Presidency, have the honour to forward the attached Note on the problems of the unitary method of taxation.

The British Embassy avail themselves of this opportunity to renew to the Department of State the assurances of their highest consideration.

30 October 1981

BRITISH EMBASSY
WASHINGTON

ATTACHED: Note.

UNITARY TAXATION

1. Our Governments are concerned about the application to US subsidiaries of foreign companies of the unitary basis of taxation as applied in California and in varying degrees by certain other States.

2. The unitary basis makes no attempt to examine the profits generated by the subsidiary. It looks to the total profits of the worldwide operations of the group of which the subsidiary is a part, and claims a portion of those profits on the basis of the assumption that certain specified factors, such as the fixed asset values, turnover and payroll, affect the profits of the subsidiary in the same way and to the same extent as the profits of the group as a whole, irrespective of where the corporations of the group operate. This means that, whenever the group as a whole makes a profit the subsidiary will be taxed on a portion of this profit, even if the subsidiary is actually making a loss, or in the reverse situation, that the subsidiary may not be taxed if the group as a whole has made a loss, although the subsidiary is actually in a profit making position.

3. This method is incompatible with the principles accepted by all OECD member states and recommended to all states as a basis for the taxation of subsidiaries or permanent establishments of foreign enterprises. These principles require that a subsidiary should be taxed only on the profits it actually has made, provided that these are based on dealing at "arm's length" between the subsidiary and related enterprises, i.e. that the transactions between the subsidiary and related corporations are on the same or on a comparable basis as transactions between wholly independent parties. This is intended to arrive at a fair measure of profit and rule out artificial pricing between members of the group for the sole purpose of minimizing tax liability.

4. Unless the same basic rules for calculating taxable profits are followed generally by the main trading nations it will be impossible to achieve the essential objective of providing a

consistent and coherent international tax framework for trade and investment.

5. The unitary tax basis can give rise to obviously inequitable tax liabilities, and to a form of double taxation which often cannot be relieved, or can be relieved only if countries, which follow generally accepted practices, bear an unfair burden of relief.

6. Unitary taxation, because it requires worldwide reporting of the group's activities in the state where the subsidiary operates, imposes very heavy compliance costs, in addition to the costs of compliance and reporting for non-US corporations in their "home countries".

7. The Federal Government uses the arms-length basis for its taxation of subsidiaries of foreign corporations.

8. The problem was addressed in the US/UK Double Taxation Treaty. Article 9(4) of the Treaty, which was supported by the Administration, would have disallowed the imposition of unitary taxes on subsidiaries of UK companies. When the Senate voted on the Treaty in 1978 the majority approved the Treaty with Article 9(4) in its original form, although the necessary two-thirds majority was not achieved. Subsequently, the Senate approved the Treaty with the necessary two-thirds majority, but subject to the reservation that Article 9(4) was not to apply for the purpose of state taxation. Article 9(4) remained in the Treaty, but only for the purpose of national taxation.

9. There are currently two relevant bills in Congress, S655 and HR 1983.

10. In view of the strong arguments against unitary taxation and the recent extension of its application in New York State, our Governments urge you to support this legislation in so far as it relates to the unitary tax issues raised above, with a view to early enactment.

Ambasciata D'Italia,
Washington, D.C., March 19, 1980

To the Department of State, Washington, D.C.:

The Italian Embassy presents its compliments to the Department of State and, on behalf of the Nine EEC Governments, of which the Italian Government has now the presidency, it has the honor to forward the attached Note on the problems of the unitary method of taxation.

The Italian Embassy welcomes the opportunity to renew to the Department of State the assurances of its highest consideration.

[SEAL]

PAOLA PANSA CEDRONIO,
Ambassador of Italy

1. Our Governments are concerned about the application to US subsidiaries of foreign companies of the unitary basis of taxation as applied in California and in varying degrees by certain other States.

2. The unitary basis makes no attempt to examine the profits generated by the subsidiary. It looks to the total profits of the worldwide operations of the group of which the subsidiary is a part, and claims a portion of those profits on the basis of the assumption that certain specified factors, such as the fixed asset values, turnover and payroll, affect the profits of the subsidiary in the same way and to the same extent as the profits of the group as a whole, irrespective of where the corporations of the group operate. This means that, whenever the group as a whole makes a profit the subsidiary will be taxed on a portion of this profit, even if the subsidiary is actually making a loss, or in the reverse situation, that the subsidiary may not be taxed if the group as a whole has made a loss, although the subsidiary is actually in a profit making position.

3. This method is incompatible with the principles accepted by all OECD member states and recommended to all states as a basis for the taxation of subsidiaries or permanent establishments of foreign enterprises. These principles require that a subsidiary should be taxed only on the profits it actually has made, provided that these are based on dealing at "arm's length" between the subsidiary and related enterprises, i.e. that the transactions between the subsidiary and related corporations are on the same or on a comparable basis as transactions between wholly independent parties. This is intended to arrive at a fair measure of profit and rule out artificial pricing between members of the group for the sole purpose of minimizing tax liability.

4. Unless the same basic rules for calculating taxable profits are followed generally by the main trading nations it will be impossible to achieve the essential objective of providing a consistent and coherent international tax framework for trade and investment.

5. The unitary tax basis can give rise to obviously inequitable tax liabilities, and to a form of double taxation which often cannot be relieved, or can be relieved only if countries, which follow generally accepted practices, bear an unfair burden of relief.

6. Unitary taxation, because it requires worldwide reporting of the group's activities in the state where the subsidiary operates imposes very heavy compliance costs, in addition to the costs of compliance and reporting for non-US corporations in their "home countries."

7. The Federal Government uses the arms-length basis for its taxation of subsidiaries of foreign corporations.

8. The problem was addressed in the US/UK Double Taxation Treaty, Article 9(4) of the Treaty, which if supported by the Administration, would have disallowed the imposition of unitary taxes on subsidiaries of UK companies. When the Senate voted on the Treaty in 1978 the majority approved the Treaty with Article 9(4) in its original form, although the necessary two-thirds majority was not achieved. Subsequently, the Senate approved the Treaty with the necessary two-thirds majority, but subject to the reservation that Article 9(4) was not to apply for the purpose of state taxation. Article 9(4) remained in the Treaty, but only for the purpose of national taxation.

9. There are currently four relevant bills in Congress. S 983, S 1688, HR 5093 and HR 5076, the last of which is scheduled for hearings on the 31st of March.

In the view of the strong arguments against unitary taxation, our Governments urge you to support this legislation in so far as it relates to the unitary tax issues raised above, with a view to early enactment.

Notes by the Kindgom of The Netherlands

Letter from the Ambassador to the Secretary of State

The Ambassador of the Netherlands presents his compliments to the Honorable the Secretary of State and has the honor to request Mr. Shultz's kind attention to the following:

In previous correspondence the Netherlands Government has presented to the Secretary of State its concerns about the "unitary" method of taxation that is being applied by the State of California to Shell Oil Company and Scallop Nuclear Inc., which are U.S. subsidiaries of Shell Petroleum N.V. ("SPNV"), a company of the Netherlands. In particular, the Netherlands Government objected to the State of California's applying its apportionment formula to the combined incomes of SPNV and its more than 900 subsidiaries and affiliates worldwide. The Netherlands Government expressed its view that this unitary tax approach, and the demands for information asserted in connection with it, are in conflict with the provisions of the Treaty of Friendship, Commerce and Navigation between the Netherlands and the United States of 1956 ("the Treaty"), and with general principles of international law.

In his note forwarded to the Netherlands Embassy on April 24, 1980, the Secretary of State advised that the Department of State would follow the case and would be pleased to consult with the Embassy at any opportune moment in the event that additional questions arose.

The Netherlands Government now wishes to bring to the attention of the Secretary of State important additional developments that seriously undermine the enforceability of the Treaty, in the tax area and other areas as well. On November 4, 1981, SPNV filed suit in the U.S. District Court for the Northern District of California challenging California's unitary approach on the grounds, among others, that it conflicts with the Treaty and with general principles of international law, and

also violates the Constitution of the United States. The Netherlands Government submitted a memorandum as *amicus curiae* stating its view that unitary taxation of a Netherlands-based multinational enterprise is in conflict with the Treaty and international law.

The district court did not consider the merits of SPNV's complaint or of the views presented by the Netherlands Government. Instead, on August 4, 1982, the court dismissed the complaint on the ground that, notwithstanding the articles of the Treaty on which SPNV relied, as a shareholder of its U.S. subsidiaries SPNV had no standing to challenge California's practice, and also on the ground that SPNV lacked standing to raise its constitutional claims. The court further held that the suit was unripe because defendants had not finally determined the amounts of tax due. A copy of the court's opinion is annexed.

SPNV appealed to the U.S. Court of Appeals for the Ninth Circuit. The Netherlands Government filed a brief *amicus curiae* in that court stating its view that the district court's ruling was based on a misreading of the Treaty. On June 30, 1983, the court of appeals affirmed the district court's decision on both standing and ripeness grounds. A copy of the appellate opinion is annexed.

The Netherlands Government is informed that SPNV will file a petition for certiorari in the Supreme Court, seeking review of the court of appeals' decision. The Netherlands Government intends to submit a brief as *amicus curiae* urging that certiorari be granted in light of the international importance of the issues presented.

The Netherlands Government believes that the court of appeals' decision denying the standing of SPNV, a Netherlands parent company, to invoke the Treaty may be even more damaging to the effectuation of the purposes of the Treaty than an adverse disposition on the merits would have been. The appellate court left undisturbed the district court's decision suggesting that a Netherlands company may invoke the

substantive protections of the Treaty in an American court only if it engages in trade or gainful pursuit within the United States through an unincorporated branch establishment, and not if it does so through a U.S. subsidiary corporation. That ruling imports into the relevant provisions of the Treaty a limitation they do not contain. Unless reversed by the Supreme Court, the lower court decisions will frustrate the Treaty's objectives by discriminating for standing purposes against the form of investment—local incorporation—that is most frequently used by both Netherlands and U.S. parent companies, and which is specifically provided for in the Treaty.

In addition, the court of appeals' interpretation of the Supreme Court's decision in *Sumitomo Shoji America, Inc.* v. *Avagliano*, 457 U.S. 176 (1982), unduly limits the applicability of the Treaty. In interpreting *Sumitomo* to mean that a Netherlands company can under no circumstances have greater rights than a U.S. corporation, irrespective of the provisions of the Treaty, the court of appeals' decision ignores the existence of separate treaty provisions granting most-favored-nation treatment and conferring independent substantive rights, with respect to taxation and other matters, on Netherlands companies engaged in trade or gainful pursuit in the United States.

Moreover, two of the treaty provisions under which SPNV was denied standing—Articles I(1) and VI(3)—are not limited to taxation but protect companies of one party with respect to any governmental conduct within the other. Therefore, the pernicious effects of the court's construction would not be limited to the area of taxation. If a similar interpretation of the Treaty were adopted by Netherlands tribunals, American companies that established subsidiaries in the Netherlands, and the subsidiaries themselves, would lose the right to invoke the Treaty's protections against unreasonable or discriminatory treatment in taxation and many other areas. As a result, important provisions of the Treaty would be almost entirely vitiated.

In his note of April 24, 1980, the Secretary of State indicated his presumption that the legal issues relating to the permissibility of the State of California's unitary tax method would be decided by U.S. courts of competent jurisdiction. The court of appeals has rendered that presumption false by denying a Netherlands company the right even to present for adjudication the issue of the compatibility of California's practice with the Treaty. And the State of California and the lower courts interpret *Sumitomo* to preclude U.S. subsidiaries from presenting claims based on the Treaty, because the subsidiaries are not "companies of" their foreign parent's domicile.

The court's additional ruling that the controversy is unripe, will, if allowed to stand, further impair the Treaty. The court indicated that federal judicial consideration of the Treaty issues should await completion of state tax proceedings in California. However, SPNV is not entitled to participate in those proceedings, and the State of California takes the position that the U.S. subsidiaries have no standing to assert rights under the Treaty in those proceedings. Therefore, the state proceedings do not offer a means of vindicating the rights SPNV seeks to assert under the Treaty. To deny prompt adjudication of the Treaty issues is especially inappropriate where unitary taxation by California and other States has aroused vigorous protests from the Netherlands and other foreign governments, thus disturbing U.S. foreign relations. *See Container Corp. v. Franchise Tax Bd.*, No. 81-523, slip op. at 6-7 n.4 (June 27, 1983) (Powell, J., dissenting). In *Container*, the three dissenting justices expressly stated that the constitutionality of California's unitary tax formula could not be defended as applied to a foreign-based multinational. The five majority justices expressly left this point open when they held the tax constitutional as applied to a U.S.-based multinational. The lower court decisions in *SPNV*, however, bar SPNV from raising either its constitutional claims or its treaty claims.

In the light of these developments, the Netherlands Government strongly urges the U.S. Government to support SPNV's petition for certiorari, and to express to the Supreme Court its views on the aspects of both standing and ripeness. Not only will this help to avoid the confusion that arose from the silence of the U.S. Government in the case of Container Corporation before the Supreme Court, but also the opinion of both States parties to the treaty on the question of the ius standi may well be of great value to the Supreme Court.

The Ambassador of the Netherlands avails himself of this opportunity to renew to the Secretary of State the assurances of his highest consideration.

Washington, D.C.
September 15, 1983

Letter from the Minister of Finance to the Secretary of the Treasury

MINISTER
VAN
FINANCIEN
No. 083-2055

The Honorable Donald T. Regan
Secretary to the Treasury
Washington, D.C. 20220
United States of America

Dear Mr. Regan,

I am writing you on the subject of unitary taxation. Recently the United States Supreme Court delivered its decision in the case of Container Corporation of America v. The California Franchise Tax Board, upholding the right of a state to use worldwide formula apportionment to internationally operating companies.

The decision of the Supreme Court was received with dismay in my country. The method of unitary taxation inevitably leads to double taxation and entails an unduly heavy administrative burden especially for foreign enterprises holding U.S. companies. has been mentioned to me that a severe budgetary loss for the states concerned would arise if worldwide apportionment were to be abolished and arm's length taxation restored. It should be borne in mind however that this implicitly means that a major part of that amount represents double taxation. Unitary taxation neglects differences in economic circumstances and adds together the results of different activities which almost certainly will have different degrees of profitability. Furthermore this method apportions part of the worldwide profit of an enterprise to a state even if the activities in that state have only produced losses. A striking example of this situation is at hand in the case of Shell Petroleum N.V. v. Mary Ann Graves (The California Franchise Tax Board) where a profit of about $40 million is apportioned to a U.S.

subsidiary engaged in non-oil related business, whereas that subsidiary has accumulated a loss of about $390 million over the taxable years concerned.

I would like to draw your attention to another consideration. The matter of unitary taxation has gained much attention among tax authorities throughout the world.

I fear that it is very tempting especially for less developed and other countries in urgent need of revenue to follow the Californian example and adopt this method which only requires the application of a simple formula to worldwide figures of multinational enterprises.

For the Netherlands Government the issue of unitary taxation has been of great concern for a considerable period of time as you may be aware. During the negotiations on the revision of the double taxation convention between our countries it has repeatedly been stressed that it is an anomaly to discuss the matter of avoidance of double taxation when—as a result of the unitary method—double taxation remains an inevitable consequence of operating a business within the territory of the partner to the convention.

Finally, Mr. Secretary, the Netherlands has for a long time had the impression that the Federal Government of the United States shares its concerns about the effects of unitary taxation. The filing of an amicus curiae brief by the U.S. Govenment in the case of Chicago Bridge and Iron v. Caterpillar was viewed in that light.

However, no brief of amicus curiae was filed in the Container case. Now that the U.S. Government, as I understand, is considering its position towards the use of unitary taxation by states, I would urgently request you to take, or to support, any initiative which may put an end to this impediment to international trade.

Yours sincerely,

H. O. RUDING

August 17, 1983

Telegram from the Minister of Finance to the Secretary of the Treasury

The Honorable Donald T. Regan

Further to my letter of August 17, 1983, concerning the use of formula apportionment in the levying of state income taxes I would like to clarify the views of the Netherlands Government with respect to the possible solutions of the problem.

In its decision in Container Corporation of America v. Franchise Tax Board upholding the constitutionality of unitary taxation of a U.S. company and its foreign subsidiaries, the Supreme Court reserved its position on the application of formula apportionment to U.S. companies with foreign parents. This reservation might be seen as presenting a rather simple solution in the form of a limitation of the use of formula apportionment to cases of U.S. owned companies.

The Netherlands Government would deeply deplore a decision of the United States Governement to take that direction. Although a limitation on the use of formula apportionment to cases of U.S. owned companies would solve most problems encountered by Netherlands companies, such a course would entail another great danger.

Exclusion from unitary taxation of only the so-called inbound investment situations results in different fiscal regimes applying to foreign investment in the U.S. and U.S. investment overseas. Foreign investment within the U.S. would then only attract taxation with respect to the income from activities within the U.S., whereas a U.S. Company investing abroad could be taxed not only on its income from activities within the U.S. but also on a part of the profits made by its foreign subsidiaries.

Together with the cost of compliance these facts tend to diminish the attractiveness of foreign investment for U.S. companies and thus to impede the growth of international

economic relations. As a consequence there is in our view a very real danger of withdrawal of U.S. investment from foreign countries.

The Netherlands Government wishes to draw the attention of the U.S. Government to these highly adverse effects of a possible course of action which in other aspects seem attractive. In particular the mutual involvement in our two economies would be harmfully affected.

With respect to unitary taxation this development has not yet materialized. The same tendency is, however, becoming apparent in the provisions of the Tax Equity and Fiscal Responsibility Act relating to the taxation of income from other than extraction activities. On this subject I will shortly send you a memorandum stating the views of the Netherlands Government.

Concluding, Mr. Secretary, the Netherlands Government reiterates its objections against the unitary method of taxation in international situations. Whatever the character of the business may be, where there is no unity of economic circumstances unitary taxation is bound to distort taxable income of business operating in such circumstances. My government strongly believes that unitary taxation must be banned from the area of internationally operating business.

H. O. Ruding

September 12, 1983

Letter from the Charge d'Affaires to the Secretary of State

The Charge d'Affaires a.i. of the Netherlands presents his compliments to the Honorable the Secretary of State and has the honor to request Mr. Vance's kind attention for the following matter.

The Authorities in the Netherlands have received a complaint by the Royal Dutch Shell Company with regard to certain practices of the Franchise Tax Board of the State of California (See Annex). An analysis of the complaint convinced the Netherlands Government that these practices indeed are contrary to the provisions of the Treaty of Friendship, Commerce and Navigation between the Netherlands and the United States of 1956 and to the accepted principles of general international law.

It would be highly appreciated if the Secretary could have this matter investigated and inform the Charge d'Affaires a.i. on the results of His findings.

Washington D.C.
September 18, 1979

[SEAL]

I. COMPLAINTS

It is the conviction of the Netherlands Government that on account of the method of taxation by the State of California and the requirements imposed in connection therewith on the American corporations Shell Oil Company and Scallop Nuclear Inc. based on the "unity of business", assumed by the California Franchise Tax Board (FTB) to exist between the above mentioned corporations and the entire Royal Dutch/Shell Group, the Netherlands members of this Group, notably Royal Dutch Petroleum Corporation and Shell Petroleum NV, are treated in contravention with the provisions of the Treaty of Friendship, Commerce and Navigation between the Netherlands and the United States of 1956 as well as contrary to general international law.

II. THE FACTS

Shell Oil Company, a Delaware corporation, is owned for about 70% by Shell Petroleum NV, a Netherlands company; Scallop Nuclear Inc., also a Delaware corporation, is 100% owned by Shell Petroleum NV. Both Shell Oil and Scallop pursue certain activities in California and are assessed for the California Franchise Tax.

On the basis of the "unity of business" which the Franchise Tax Board (FTB) assumes to exist between Shell Oil and Scallop on the one hand and other companies of the Royal Dutch/Shell Group on the other hand, the first two companies are being assessed for that share of the worldwide profit of the Royal Dutch/Shell Group that, according to California legislation, in case of unity can be apportioned to them. Although Shell Oil denies unity with the other companies of the Royal Dutch/Shell Group, the FTB maintains that an integrated oil company is unitary by definition. The reasons for assuming unity between the Royal Dutch/Shell Group and Scallop are unclear because Scallop is the only company of the Shell Group engaged in nuclear energy activities. The FTB asked Shell Oil

for the purpose of unitary assessment information about all companies that are owned for 50% or more by the Group. This information which was not available to Shell Oil itself, concerned more than 900 companies; requested were *inter alia* the financial accounts of the entire Group over the years 1967-1972, to be presented in accordance with American financial standards and in dollar figures. If the information would not be deemed satisfactory by the FTB this would lead to the imposition of a 25% fine.

Only after Shell Oil would have provided the required information the FTB would be prepared to reconsider its assumption of unity or a revision of the assessment.

Further judicial recourse in the State of California or at the Federal level is not possible until after payment of the contested assessments.

III. INCOMPATABILITY WITH INTERNATIONAL LAW

A. Treaty of Friendship, Commerce and Navigation between the Netherlands and the United States of 1956.

Under Article I, paragraph I, "Each Party shall at all times accord fair and equitable treatment to the nationals and companies of the other Party, and to their property, enterprises and other interests". The complaint of the Netherlands Government concerns the treatment by the State of California of Shell Oil Company, a Delaware corporation, of which more than 69% of the shares are owned by Shell Petroleum NV, a company incorporated under Netherlands law and established in the Netherlands, which in turn is a subsidiary holding company of the NV Koninklijke Nederlandse Petroleum Maatschappij (Royal Dutch Petroleum Company), also a company incorporated under Netherlands law and established in the Netherlands; the complaint also concerns the treatment of Scallop Nuclear Inc., a Delaware corporation fully owned by Shell Petroleum NV. The Netherlands Government is of the opinion that both Scallop Nuclear Inc. and Shell Oil Company

are to be considered a property or an enterprise of a Netherlands company.

It is the view of the Netherlands Government that the levying of taxes on Shell Oil Company and on Scallop Nuclear Inc. by the State of California on the basis of the California FTB's assumption of "unity of business" with the other companies of the Royal Dutch/Shell Group, is neither fair nor equitable.

The Netherlands Government does not want, nor is it in a position, to discuss the question whether according to Californian legislation "unity of business" indeed exists. It is, however, of the opinion that apportionment of the profit of the entire Royal Dutch/Shell Group in accordance with California legislation is in violation of the obligations resulting from Article I, paragraph I of the Treaty of Friendship, Commerce and Navigation of 1956. This opinion is based on the fact that Californian State law apportions to Shell Oil and Scallop profit which bears the same proportion to the profits of the entire Royal Dutch/Shell Group as the properties, sales and payroll of the said companies in California bear to the properties, sales and payroll of the entire Royal Dutch/Shell Group. The results of an apportionment of such a kind can only correspond with the profits actually made, when the effect of the above-mentioned factors on the profitability of a business is the same all over the world. While it might perhaps be assumed that for the entire territory of the United States this effect is the same, it is an established fact that this does not apply to all areas in the world where the Royal Dutch/Shell Group is operating. Thus the apportionment of the profit of a corporation with worldwide activities on the basis of one single formula cannot be considered a fair and equitable treatment.

The Netherlands Government considers the unitary taxation of Shell Oil and Scallop by the State of California an unresonable measure in contravention of Article IV, section 3 of the Treaty of Friendship, Commerce and Navigation of 1956, because unitary taxation and apportionment of profit on that

basis are in contravention of the generally accepted principle that companies associated with companies in an other country should be assessed in the country where their effective management is situated and only for the profit that they have actually made in that country, unless in the commercial or financial relations between the enterprises conditions are made or imposed which differ from those which would have been made between independent enterprises.

In OECD of which both the United States and the Netherlands are members, this principle which usually is referred to as "the arm's length principle" is generally accepted as the standard for the calculation of the taxable profit of associated enterprises (notably in Article 9 of the OECD Model Double Taxation Convention on Income and on Capital of 1977). Neither the Netherlands nor the United States have made any reservation in the acceptance of this standard. The United States have even declared that in their opinion the "arm's length standard" should not only apply to related enterprises but to all related persons and to all sources of income.

The Governments of the OECD memberstates, in their "Declaration of June 21, 1976, on International Investment and Multinational Enterprises", have declared to be of the opinion that enterprises should refrain from making use of particular facilities available to them, such as transfer pricing which does not conform to an "arm's length standard" for modifying in ways contrary to national laws the tax base on which members of the Group are assessed. The United Nations Expert Group on tax treaties between developed and developing countries also holds the opinion that the "arm's length standard" should apply to the calculation of taxable profit of related companies.

On all of the above mentioned occasions both the United States and the Netherlands have accepted the principle that related companies should be taxed on the basis of actual results unless the latter would deviate from results that would have been achieved if relations between the enterprises were based

on an "arm's length standard". Unitary taxation as practised by the State of California obviously violates those principles.

The unreasonable character of the California tax legislation clearly shows in the case of Scallop Nuclear Inc. This company had suffered accumulated losses amounting to $390,000,000 by the end of 1976, whereas application of the California apportionment formula would lead to an apportionment to Scallop of a profit of $60,000,000.

The former Secretary of the Treasury, Mr. Blumenthal, also doubted the fairness and reasonableness of unitary taxation in his letter of July 10, 1977, to the California Franchise Tax Board, in which he stated:

"Though you state that unitary apportionment is the most accurate and reasonable method yet devised for assessing the income of one element in a multinational Group, it is our experience, as well as that of most other countries, that the determination of income on the basis of an arm's length standard is not only accurate but also far less arbitrary. The arm's length standard is the internationally accepted approach. Thus, in an international context, the use of another method by one jurisdiction will often lead to double taxation. The unitary system imposes a substantial compliance burden on multinational corporations. Much of the information required for a combined report with respect to a foreign parent or foreign sister corporation may not be available to the taxpaper. Even where the information is available the burden of reporting the accounts of many far-flung affiliates on a standardized basis can be great. We are aware of cases where this burden has discouraged foreign investment in the United States".

The aforementioned arguments apply regardless of the question whether there in fact is a "unity of business" between Shell Oil Company and Scallop Nuclear Inc. on the one hand and Shell Petroleum NV and the Royal Dutch/Shell Group on the other hand. If it would be assumed that the "unity of business" does indeed exist as stated by the FTB, taxation on

the basis of apportionment according to California legislation is, in the opinion of the Netherlands Government, in contravention of Article XI, par. 4 of the Treaty of Friendship, Commerce and Navigation of 1956. This Article prohibits the States concerned to tax a company of one Party engaged in trade or other gainful pursuit within the territories of another Party, in excess of what is allocable or apportionable to its territories. As indicated above in the case of a company with worldwide activities, unitary apportionment can only accidentally lead to results that correspond with reality.

Therefore the Netherlands Government is of the opinion that unitary taxation cannot be considered a taxation of only that profit that is reasonably allocable to the State of California.

B. General International Law

The demands by the California Franchise Tax Board, through Shell Oil, for data that can only be supplied by the other companies of the Royal Dutch/Shell Group incorporated in foreign countries all over the world—and the imposition of a fine of 25% in case of non-compliance—amount to a form of extra-territorial application of national legislation that is unacceptable to the Netherlands Government, because it contravenes well-established principles of international law. The California Board has no jurisdiction on this issue over the Netherlands companies Royal Dutch Petroleum Corporation and Shell Petroleum NV and it cannot lawfully compell them to supply the required data. International law, as evidenced by the general practice of States to date, does not permit a State to assume or exercise prescriptive jurisdiction over the conduct of an alien which occurs within the territory of another State or States solely on the basis that such conduct produces "effects" or repercussions within its territory.

Note by the United Kingdom

BRITISH EMBASSY
3100 Massachusetts Avenue, N.W.
Washington, D.C. 20008
Telephone: (202) 462-1340

17 December 1981

The Honorable Donald T. Regan
Secretary of the Treasury
Department of the Treasury
Room 3326
Main Treasury Building
15th & Pennsylvania Avenue N.W.
Washington, D.C.

Dear Mr. Secretary,

UNITARY TAXATION

I have been asked to deliver to you the attached text of a letter from the Chancellor of the Exchequer of the United Kingdom, on the subject of unitary taxation as it arises in the United States Supreme Court case between Chicago Bridge and Iron Company and Caterpillar Tractor Company/Illinois Department of Revenue.

The top signed copy will follow in a day or so.

Yours sincerely,

/s/ Harry G. Walsh
H. G. WALSH
Counsellor (Economic)

ATTACHED: TEXT.

Letter from the Rt. Hon. Sir Geoffrey Howe, Q.C. M.P., Chancellor of the Exchequer. to The Honorable Donald T. Regan, Secretary of the Treasury.

UNITARY TAXATION

As I mentioned when I saw you on 28 September, the United Kingdom is much concerned about the use of the unitary basis of taxation which is being increasingly adopted by individual US States. The problem is that, while business profits earned outside the US by a UK company operating or having affiliates in the US are not subject to US Federal Tax under our tax treaty, they are subject to taxation in some States. We have in the past requested the US Treasury to take action at the Federal level to remedy this unsatisfactory situation.

It has come to my attention that the Supreme Court has now chosen to hear a case (Chicago Bridge and Iron Company versus Caterpillar Tractor Company/Illinois Department of Revenue) which involves the issue of whether the worldwide combined basis applied at State level is acceptable as a method of company taxation under the US Constitution. While I do not presume to anticipate the Court's eventual decision, this case seems to provide an early opportunity for it to curb the use of the worldwide combined basis for taxing company profits. The continuation of this practice would seem to conflict with the ability of the US Government to speak with one voice on international issues, a requirement which has already been clearly recognised by the Court in the 1979 Japan Line case.

Taxpayers in our two countries, who are potentially subject to both US and UK taxation, receive substantial benefits under our double taxation agreement. This provides for a fair and symmetrical method of attribution of company profits, as between our respective national jurisdiction, to avoid the risk of double taxation of the same income. The benefits of the Treaty are now being reduced, and the risk of double taxation increased, because some American States do not adhere to the method of attribution agreed at national level for the benefit of our business taxpayers.

I understand that you intend to find a means to put before the Court the US Treasury view that the worldwide combined basis is an arbitrary method of attributing profits, which involves excessive compliance costs for foreign multinational companies established in those states where it is used. It also introduces an undesirably asymmetric element into the tax relationship between our two countries, since the unitary basis of taxation with worldwide combined reporting is not used by the UK at any level of government. This imbalance is causing increasing concern, not only on the part of British companies which have made representations about it, but in Parliament where Questions have been asked. My purpose in writing is to assure you that you have the firm support of the UK Government in putting forward the US Treasury view in this case.

Note by Japan

Embassy of Japan
Washington
August 11, 1983

Aide-Memoire

Re: THE UNITARY TAX SYSTEM

The Government of Japan wishes to present to the U.S. Government agencies concerned the following views with regard to the Unitary Tax System.

The Unitary Tax System, which has been introduced in California and many other states of the U.S., has put a serious burden and constraint on the management and business activities of Japanese-affiliated companies operating in the U.S. We regard the Unitary Tax System as having the following problems:

—It has been causing international double taxation.

—It requires financial and other documents from the companies concerned, which include not only those of the parent company, but of other affiliated companies all over the world, and thus has imposed a tremendous burden on them.

—It has a discouraging effect on Japanese investment in the U.S., and hampers the sincere efforts by the U.S. and Japanese Governments to actively promote Japan-U.S. investment.

Based on this recognition, the Japanese Government has taken every opportunity to raise this question in such fora as the Japan-U.S. sub-cabinet level meeting and Japan-U.S. Trade Subcommittee, and requested the U.S. Government to take appropriate measures as soon as possible to abolish the Unitary Tax System.

On June 27th, the U.S. Supreme Court decided in the Container Corp. of America *vs* Franchise Tax Board Case, that the Unitary Tax System based upon the world-wide profits of the company concerned, including those of the overseas affiliated companies, is constitutional. Although the Court decision was not on a case in which the head office is located abroad, we are concerned that the decision would encourage a number of states to newly introduce the Unitary Tax System or discourage the states which already have the System from abolishing it. We wish to reiterate that Unitary Taxation can be a barrier to the expansion and development of Japan-U.S. economic relations including the promotion of our direct investment.

The Government of Japan, attaching great importance to the U.S. Supreme Court decision of June 27th, again expressed concern over this matter in the Japan-U.S. Trade Subcommittee meeting held this July at Wye Plantation, Maryland. We were encouraged to hear the U.S. Government explain that it is ready to present an amicus curiae brief in cases where diplomatic implication is involved. The Government of Japan strongly wishes that the U.S. Government will support the motion for rehearing, present the amicus curiae brief in connection with the rehearing of this case, and also take the same appropriate measures in connection with other individual cases. The Government of Japan further requests that the U.S. Government take concrete measures as soon as possible, including possible legislative actions, which will lead to the abolition of the Unitary Tax System.

Notes by Canada

Canadian Embassy — Ambassade du Canada

1746 Massachusetts Avenue N.W.
Washington, D.C. 20036-1985

23 August 1983

The Honourable James A. Baker III
Chief of Staff and Assistant to
the President
The White House
Washington, D.C. 20500

Dear Mr. Baker,

I am writing to you to flag the Canadian Government's concern regarding the unitary tax issue.

In the recent case of Container Corporation vs the California Franchise Tax Board, the United States Supreme Court upheld the ability of a state government to levy taxes based on the worldwide earnings of multi-national corporations. This method of taxation is inappropriate in the view of the Canadian Government because it places business corporations in the position of potentially having to pay tax in one jurisdiction for profits earned (and taxed) elsewhere. In addition to being contrary to good business practice, it constitutes an unnecessary and unfortunate intervention into taxing areas which should belong to the jurisdiction in which a corporation is actually doing business.

The Canadian Government view, which is expressed in the attached copy of a letter to Secretary Regan from Marc Lalonde (the Canadian Finance Minister) is that the United States should take appropriate steps to have state governments

drop the unitary method of taxation before it grows to become a major stumbling block to international business and a serious foreign relations problem.

We have, of course, made our views known to several of the members of the Cabinet Council on Economic Affairs interagency working group which is developing an Administration position on this matter. However, I wanted to reinforce the seriousness which we attach to this issue by also drawing it to your attention.

Yours sincerely,

ALLAN GOTLIEB
Ambassador

Canadian Embassy

Ambassade du Canada

1746 Massachusetts Ave, N.W.
Washington, D.C. 20036-1985

11 August 1983

The Honourable Donald T. Regan
Secretary of the Treasury
Room 3330
Department of Treasury
Washington, D.C. 20220

Dear Mr. Secretary,

I have been asked to transmit to you the enclosed letter from The Honourable Marc Lalonde, Minister of Finance for Canada, stating Canada's concerns about the unitary method of taxation now being employed by a number of states in this country.

Yours sincerely,

ALLAN GOTLIEB
Ambassador

Minister of Finance | Ministre des Finances

Ottawa, Canada
K1A 0G5

The Honourable Donald T. Regan
Secretary to the Treasury
Washington, D.C.
U.S.A. 20220

Dear Mr. Secretary:

I have recently had drawn to my attention the decision in the case of Container Corporation of America vs the California Franchise Tax Board in which the United States Supreme Court upheld the right of a state to use the unitary method of taxing corporate income.

The unitary method of taxation is a cause of considerable concern to a number of Canadian-based multi-national corporations. Their concern arises out of three main considerations. First, the unitary method, by applying an arbitrary allocation formula to the consolidated world earnings of a corporate group, departs from the generally accepted international norm for determining the geographic source of income for tax purposes and gives rise to a serious potential for double taxation. Second, the costs of compliance arising out of the need to prepare consolidated returns that conform to the state tax accounting requirements are particularly onerous for Canadian and other foreign-based companies. Third, there is a concern that the sanction of the unitary method will result in its adoption by an increasing number of states and, possibly, by certain foreign countries as a means of increasing their tax revenues.

I understand that you have indicated recently that you were giving consideration to possible legislative initiatives as a result of the Supreme Court decision. I recognize that the issues involved are both complex and sensitive, but the application of the unitary method of taxation to the foreign source income of non-U.S. companies poses difficult problems for a large segment of the international business community. My purpose in writing is to emphasize the seriousness of those problems and to encourage you to give urgent consideration to the ways in which they might be resolved.

With all good wishes and kind regards.

Sincerely,

Marc Lalonde

COMPANIES IN WHICH ROYAL DUTCH PETROLEUM COMPANY AND THE "SHELL" TRANSPORT AND TRADING COMPANY, P.L.C., HOLD EQUITY INTERESTS

The following is a list of those companies in which Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, p.l.c., directly or indirectly, hold equity interests. The interests shown are held through either Shell Petroleum N.V. or The Shell Petroleum Company Limited or both. The percentages shown represent both direct and indirect holdings of ordinary shares in the companies named, in some cases rounded to the nearest whole figure. Except in the case of the United States, subsidiaries of the companies named are not generally shown separately. Use of an asterisk preceding the name of a company in the list indicates that it is a partnership rather than a corporation.

UNITED STATES:

Name of Company	State of Incorporation	Percentage Holding
Artelonics Corporation		79
*DCS Capital Partnership	Delaware	26
DCS Capital Corporation	Delaware	26
1973 Nuclear Corporation	Delaware	100
*Ocean Minerals Company		31
Ocean Minerals Incorporated	Delaware	49
Refineria Petrolera de Guatemala	California	40
Salmon Enterprises, Incorporated		79
Salmon Pipelines Limited		79
Salmon Resources Limited		79
Scallop Coal Corporation	Delaware	100
Justin Coal Corporation	Delaware	100
*Massey Coal Company	Delaware	50
A.T. Massey Coal Company, Inc.	Virginia	50
A.T.M. Inc.	Kentucky	50
Allburn Coal Company, Inc.	Kentucky	50
Alpine Development Company	West Virginia	50
Anchor Coal Company, Inc.	Colorado	50
Ben Creek Coal Company	West Virginia	50
Big Bear Mining Company	West Virginia	50
Big Beaver Coal Co.	West Virginia	50

Name of Company	State of Incorporation	Percentage Holding
Big Bottom Coal Company	Kentucky	50
Bishop Mine Development Co.	West Virginia	50
Black Castle Mine Development Co.	West Virginia	50
Black King Mine Development Co.	West Virginia	50
Black Knight Mine Development Co.	West Virginia	50
Blackberry Creek Coal Company	Kentucky	50
Blueco Sales & Processing Co.	West Virginia	10
Bluesprings Coal Company	West Virginia	50
Bonnie Coal Company, Inc.	West Virginia	50
Capstan Mining Company	Colorado	50
Central West Virginia Energy Company	West Virginia	50
Chess Processing Company	West Virginia	50
Chestnut Coal Company	Tennessee	30
Clark Elkhorn Coal Company, Incorporated	Kentucky	50
Cline & Chambers Coal Company, Inc.	Kentucky	50
Coal Transit Company	Tennessee	50
*Comco	Virginia	17
Crystal Alma Corporation	West Virginia	50
Dehue Coal Corporation	West Virginia	50
Douglas Pocahontas Coal Corporation	West Virginia	50
East Kentucky Energy Corporation	Kentucky	50
Elk Run Coal Company, Inc.	West Virginia	50
*Elton Coal Company	Pennsylvania	25
Federal Development Corporation	West Virginia	50
Grundy Mining Company, Inc.	Tennessee	50
Hopkins Creek Coal Company	Kentucky	50
Imec, Inc.	Kentucky	50
Joboner Coal Company	Kentucky	50
Kermit Coal Company	West Virginia	50
Knight Mine Development Co.	West Virginia	50
LaBelle Processing Company	Pennsylvania	50
Leslie Coal Company, Inc.	West Virginia	50
Lewco Development Company	West Virginia	50
Lobata Coal Company	West Virginia	50

Name of Company	State of Incorporation	Percentage Holding
*M & B Coal Company	West Virginia	50
Mansfield Carbon Products, Inc.	Delaware	50
Marrowbone Development Company	West Virginia	50
Martin County Coal Corporation	Kentucky	10
Massey Coal Export Corporation	Virginia	50
Massey Coal Sales Company, Inc.	Virginia	50
Massey Coal Services, Inc.	West Virginia	50
Massey Coal Terminal, S.C. Corporation	South Carolina	50
Massey Coal Terminal Corporation	Virginia	50
Massey Disc Corporation	Virginia	50
Massey Fuels Corporation	Virginia	50
Massey Stores, Inc.	Virginia	50
Maxann Coal Corp.	West Virginia	50
Menefee Land Company, Inc.	Colorado	50
*Midlowthian Company	Pennsylvania	25
Micco Corporation	West Virginia	50
Omar Mining Company	West Virginia	50
Ora Mae Coal Company, Inc.	Kentucky	50
P.M. Charles Coal Co.	West Virginia	50
Peerless Eagle Coal Company	West Virginia	50
Pennsylvania Mine Services, Inc.	Pennsylvania	50
Peter Cave Coal Company, Incorporated	Kentucky	50
Pikco Mining Company	West Virginia	50
Pike County Coal Corporation	Kentucky	50
Piney Creek Coal Company	West Virginia	50
Pocahontas Red Ash Mining Company	West Virginia	10
Pond Creek Mining Co.	West Virginia	50
Raleigh Six Coal Company	West Virginia	50
Ratliff Elkhorn Coal Co.	Kentucky	50
Rawl Sales & Processing Co.	West Virginia	50
Reitz Coal Co.	Pennsylvania	25
Reitz Corporation	Pennsylvania	50
Remington Fuels, Inc.	West Virginia	50

Name of Company	State of Incorporation	Percentage Holding
Robinson-Phillips Coal Company	West Virginia	50
Rocky Hollow Coal Co.	West Virginia	50
Rose Branch Development Company	West Virginia	10
Royalty Smokeless Coal Company	West Virginia	50
Russell Fork Coal Company	West Virginia	50
SC Coal Corporation	Delaware	50
SC Ventures Inc.	Delaware	50
*Sackett Mining Company	Colorado	50
Shannon-Pocahontas Coal Corporation	West Virginia	100
*Shannon-Pocahontas Mining Company	West Virginia	80
Shipyard River Terminal, Inc.	South Carolina	50
Simron Fuel Company, Inc.	West Virginia	50
Sprouse Creek Processing Company	West Virginia	50
Sun Coal Company Inc.	Colorado	50
Sycamore Mining Co.	West Virginia	50
T. W. Associates, Inc.	West Virginia	50
T. C. C. International, Inc.	Tennessee	50
T. C. H. Coal Company	Kentucky	50
Tall Timber Coal Co.	Kentucky	50
Tennessee Consolidated Coal Company	Delaware	50
Town Creek Coal Company	West Virginia	50
*Tug River Coal Company, Inc.	West Virginia	50
Utility Coals, Inc.	West Virginia	50
Vesta Mining Company	Pennsylvania	50
Virginia Crews Coal Company	West Virginia	10
Virginia Mining Co., Inc.	Tennessee	50
Walnut Coal Company, Inc.	Tennessee	30
West Fork Fuel Company	West Virginia	50
Whitwell Coal Corporation	Delaware	50
Winston Coal Company	West Virginia	50
Wolf Creek Collieries Company	Kentucky	50
Wyomac Coal Company, Inc.	West Virginia	50
Scallop Development Inc.	Delaware	100
Billiton Alaska Exploration Inc.	Delaware	100
Billiton Exploration U.S.A, Inc.	Delaware	100

Name of Company	State of Incorporation	Percentage Holding
Billiton Minnesota Exploration Inc.	Delaware	100
Billiton Polaris Inc.	Delaware	100
Billiton Supply Inc.	Delaware	100
Pavement Consultancy Services Inc.	Delaware	100
Scallop Holding Incorporated	Delaware	100
AP Shipping Corporation	Liberia	100
Argus Realty Services, Inc.	Delaware	100
Asiatic Petroleum Corporation	Delaware	100
Billiton Metals Inc.	Delaware	100
Billiton Commodities Inc.	Delaware	100
*Conch L.N.G.	New Jersey	40
Greater New York Terminal Inc.	New York	100
Houston Fuel Oil Terminal Inc.	Texas	100
*Houston Fuel Oil Terminal Company	Texas	50
North American Plant Breeders	Connecticut	100
OPB, Inc.	Delaware	100
Reserve Terminal Corporation	New Jersey	50
Royal Lubricants Company, Inc.	Delaware	100
Scallop Corporation	Delaware	100
Scallop Liquefied Natural Gas, Inc.	Delaware	100
Scallop Nickerson Plant Breeders, Inc.	Delaware	100
Scallop Nuclear Inc.	Delaware	100
*Valley Pines Associates	California	50
*Allied-General Nuclear Services		25
Scallop Thermal Management, Inc.	Delaware	100
*Steuart/STM Associates	D.C.	50
Second Reserve Terminal, Inc.	New Jersey	50
Tanker Owners, S.A.	Panama	100
Scotlene, Inc.	Delaware	79
Shell Funding Corporation	New York	100
Shell Oil Company	Delaware	69
Applied BioSciences Inc.	Delaware	69
Bellaire Trucking Company	Delaware	69
Belridge Farms	California	69
Belridge Oil Company	California	69
Belridge Packing Company	California	69
Blue Dolphin Pipeline Company	Delaware	69
Bullenbay Marine Services N.V.	Netherlands Antilles	23

Name of Company	State of Incorporation	Percentage Holding
Burrwood Gathering Company	Delaware	69
Butte Pipe Line Company	Delaware	35
Chaparro Gathering Company	Delaware	69
Choctaw Pipeline Company	Delaware	69
Compania Shell de Exploracion de Colombia	Delaware	69
Cortez Pipeline Co.		69
Dixie Pipe Line Company		4
Explorer Pipeline Co.		18
IND/AG Chemicals, Inc.	California	69
Inland Corporation		17
International Lubricant Corp.		69
LOCAP, Inc.		7
LOOP, Inc.		14
Olympic Pipe Line Co.		30
Pecten Arabian Limited	Bermuda	69
Pecten Arabian Services		69
Pecten Bahamas Company	Delaware	69
Pecten Belize Company	Delaware	69
Pecten Brazil Alagoas Company	Delaware	69
Pecten Brazil Alagoas Petroleum Company	Delaware	69
Pecten Brazil Amazon Company	Delaware	69
Pecten Brazil Amazon Exploration Company	Delaware	69
Pecten Brazil Amazon Exploration and Development Company	Delaware	69
Pecten Brazil Amazon Petroleum Company	Delaware	69
Pecten Brazil Bahia Company	Delaware	69
Pecten Brazil Bahia Exploration Company	Delaware	69
Pecten Brazil Bahia Exploration and Development Company	Delaware	69
Pecten Brazil Bahia Petroleum Company	Delaware	69
Pecten Brazil Exploration Company	Delaware	69
Pecten Brazil Exploration and Development Company	Delaware	69
Pecten Brazil Maranhao Company	Delaware	69
Pecten Brazil Maranhao Exploration Company	Delaware	69
Pecten Brazil Para Petroleum Company	Delaware	69
Pecten Brazil Petroleum Company	Delaware	69

Name of Company	State of Incorporation	Percentage Holding
Pecten Brazil Rio Grande Do Norte Company	Delaware	69
Pecten Cameroon Company	Delaware	57
Pecten Cameroon LNG Limited	Bermuda	69
Pecten Chemicals, Inc.	Delaware	69
Pecten Coal International, Inc.	Delaware	69
Pecten Curacao N.V.	Netherlands Antilles	
Pecten Egypt Petroleum Company	Delaware	69
Pecten Equatorial Guinea Company	Delaware	69
Pecten International Company	Delaware	69
Pecten Limited	Bermuda	69
Pecten Malaysia Company	Delaware	69
Pecten Middle East Services Company	Delaware	69
Pecten Orient Company	Delaware	69
Pecten Overseas Petroleum Company	Delaware	69
Pecten Paraguay Company	Delaware	69
Pecten Philippines Exploration Company	Delaware	69
Pecten Santos Company	Delaware	69
Pecten Santos Exploration Company	Delaware	69
Pecten Santos Petroleum Company	Delaware	69
Pecten Somalia Company	Delaware	69
Pecten Spain Company	Delaware	69
Pecten Syria Company	Delaware	69
Pecten Syria Petroleum Company	Delaware	69
Pecten Thailand Company	Delaware	69
Pecten Trading Company	Delaware	69
Pecten Tunisia Company	Delaware	69
Pecten Tunisia Petroleum Company	Delaware	69
Pecten Victoria Company	Delaware	69
Pecten Vietnam Company	Delaware	69
Pecten Vietnam Petroleum Company	Delaware	69
PICO Limited	Bermuda	69
Pioneer Equipment Company	Delaware	69
Plantation Pipe Line Co.		17
Quazite Corporation	Delaware	35
R&F Coal Company	Ohio	69

Name of Company	State of Incorporation	Percentage Holding
Seaway II Coal Company	Delaware	69
SES, Incorporated	Delaware	69
Shell California Cogeneration Company	California	69
Shell California Production, Inc.	Delaware	69
Shell Capital, Inc.	Delaware	69
Shell Cogeneration Inc.	California	69
Shell Communications	Delaware	69
Shell Cortez Pipeline Company	Delaware	69
Shell Credit, Inc.	Texas	69
Shell Energy Resources, Inc.	Delaware	69
Shell Explorer Limited	Canada	69
Shell Export Company	Delaware	69
Shell Investment, Inc.	Delaware	69
Shell Motorist Club Inc.	Indiana	69
Shell Offshore, Inc.	Delaware	69
Shell Pipe Line Corporation	Maryland	69
Western E&P Inc.	Delaware	69
Taranaki Offshore Petroleum Company	Delaware	100
Taranaki Offshore Petroleum Company Limited	New Zealand	100
Triton Coal Company	Delaware	100
Turris Coal Company	Delaware	100
West Shore Pipe Line Co.		20
Western Farm Service, Inc.	Delaware	100

OUTSIDE UNITED STATES (by nation of incorporation):

Name of Entity	Percentage Holding
ABU DHABI	
Abu Dhabi Bitumen Co. Ltd.	25
Abu Dhabi Company for Onshore Oil Operations	10
Abu Dhabi Gas Industries Ltd.	15
ALGERIA	
Shell d'Exploration	100
ANGOLA	
Cia. de Produtos Farmaceutios Shell Ltda.	100
Shell West Africa	100
ARGENTINA	
Cia. Immobiliaria Dominium, S.A.	100
Shell Compania Argentina de Petroleo S.A.	100
AUSTRALIA	
Austen & Butta Ltd.	42
Australian Coal & Coke Co. Pty. Ltd.	45
Beasam Pty. Ltd.	100
The Bellambi Coal Co. Ltd.	45
Billiton Aluminum Australia	100
S.W. Hart and Co. Pty. Ltd.	50
Highway-Shell Motels Pty. Ltd.	50
Hot Pave Pty. Ltd.	50
Kawecki-Billiton Australia (Pty.) Ltd.	50
Neptune Oil Co. Pty. Ltd.	100
North West Shelf Development Pty Ltd.	50
Nufarm Chemicals Pty. Ltd.	40
Number 1 Spring Street Pty. Ltd.	100
Oil Fuel Recovery Systems Pty. Ltd.	50
Pabco Holdings Pty. Ltd.	50
Pabco Products Pty. Ltd.	50
Paveseal Pty. Ltd.	100
Pioneer Asphalts Pty. Ltd.	50
Poly Pacific Pty. Ltd.	50
Shell Australia Ltd.	100
Shell-BHP Autogas Pty. Ltd.	50
Shell Chemical (Australia) Pty. Ltd.	100
The Shell Company of Australia Ltd.	100

Name of Company	Percentage Holding
Shell Development (Australia) Ltd.	100
Shell Finance (Australia) Ltd.	100
Shell Minerals Exploration (Australia) Pty. Ltd.	100
Shell Refining (Australia) Pty. Ltd.	100
Shellcrete Pty. Ltd.	50
Shorko Australia Pty. Ltd.	50
Shorncliffe Pty. Ltd.	100
Solahart Pty. Ltd.	50
South Coast Gas Co. Pty. Ltd.	100
Spraypave Pty. Ltd.	100
W.A.G. Pipeline Pty. Ltd.	52
West Australian Natural Gas Pty. Ltd.	29
Windarra Nickel Mines Pty. Ltd.	100
Woodside Petroleum Ltd.	21
Worsley Alumina Pty. Ltd.	30
AUSTRIA	
Adria Hafen Studiengesellschaft m.b.H.	17
Adria-Wien Pipeline G.m.b.H.	15
Asphalt-Werk Govedic G.m.b.H.	100
Attems G.m.b.H.	100
Autobahnbetriebe G.m.b.H.	13
Autogas Vertriebsgesellschaft m.b.H.	50
Brennstoffhandel A. Neubauer G.m.b.H.	80
Colas Bauchemie G.m.b.H. (Austria)	100
Colas Bauservice G.m.b.H.	100
"Comfort" Heiztechnik G.m.b.H.	50
"Comfort" Heiztechnik G.m.b.H. & Co. K.G.	50
Erdoel-Lagergesellschaft m.b.H.	17
Gewerkschaft Elwerath und Co. G.m.b.H.	50
"Heitzoelexpress"—Heizdelhandels G.m.b.H.	100
Latexfalt Industrie Fussboden G.m.b.H.	100
MHG Heger G.m.b.H.	100
MHG-Tinhof G.m.b.H.	100
MHG-Zorn G.m.b.H.	100
Oesterreiche Gesellschaft Fuer Sonnenergie und Weltraumffagen G.m.b.H.	7
Peter Troppacher G.m.b.H.	100
Possehl Spezialbau G.m.b.H.	50

Name of Company	Percentage Holding
Rohoel-Aufsuchungs G.m.b.H.	50
Ruderstaller G.m.b.H.	100
Shell Austria A.G.	100
Shell Badr el Din	100
Shell Qarun, Erdoelauis u Chungs und Gewinnungs G.m.b.H.	100
Shell Sitra Erdoelaufsuchungs-und-Gewinnungs G.m.b.H.	100
S & S Brennerservice G.m.b.H.	50
S & S Brennerservice G.m.b.H. & Co. K.G.	50
Temana Beteiligungs G.m.b.H.	100
Temana Chemie-Produkte G.m.b.H. & Co. K.G.	100
Transalpine Oelleitung in Osterreich G.m.b.H.	15
Waermerbetriebe G.m.b.H.	100
Waermerdienst Kleinsasser G.m.b.H.	100
Weener Ofenoelvertrieb G.m.b.H	100
BAHAMAS	
Bahamas Service Stations Ltd.	100
Conch International Methane Ltd.	40
Shell Bahamas Ltd.	100
Shell Caribbean Trading Ltd.	100
The Shell Company (Nassau) Ltd.	100
Venezuelan Eagle Oil Co. Ltd.	100
BANGLADESH	
Bangladesh Shell	100
BARBADOS	
Shell East Caribbean Offshore Services Ltd.	100
Shell East Caribbean Services Ltd.	100
Shell Trading (Caribbean) Ltd.	100
BELGIUM	
Bayer-Shell Isocyanates N.V.	50
Soc. Belge de Transport par Pipeline S.A.	10
Belgian Shell S.A.	100
Brussels Airfuels Services (B.A.S.) Soc. Cooperative	33
Caloterm S.A.	100
Car Accessories & Specialties S.A.	100
Chauffage Liege-Verviers (Chauliver) S.A.	100
CHB-Devis S.A.	100
Coas S.A.	100

Name of Company	Percentage Holding
Distrigaz, S.A.	17
Dumo Plastics N.V.	100
Ethyleen Pijpleiding Mij. (Belgie)	50
S.A. Flexible Foam Co.	40
Fonderies Reunies S.A.	100
Gestion Commerciale, Administrative et Financiere	100
Hainaut Chauffage S.A.	100
Herentals Heating N.V.	50
H.J. VanDer Rijn N.V.	100
Kroch Engineering Company N.V.	50
Lambert en Dauwe	51
N.V. Limbuterm	100
Metaalmij Henrichs & Verhaegen N.V.	100
Metrec Metals Recycling N.V.	100
Oric S.A.	100
Ryan Europe S.A.	50
Shell Immeubles Belges S.A.	100
Soc. de Distribution du Gaz	17
Soc. Gantoise d'Affinage Sogaf S.A.	100
Sodexcar S.A.	50
Sotherng S.A.	100
Stramit-Tungren P.B.V.A.	50
Studies Engineering & Services S.A.	100
Sylvan Belgium N.V.	94
BELIZE	
Shell Belize Ltd.	100
BERMUDA	
Bitumen Supply Co. Ltd.	50
Carribbean Shell Finance Ltd.	100
Nautilus Leasing Ltd.	100
Nautilus Limited	100
Petroleum Insurance Ltd.	100
Shell Bermuda (Overseas) Ltd.	100
The Shell Co. of Bermuda Ltd.	100
Shell Eastern Trading Company Ltd.	100
Shell Finance (Development) Co. Ltd.	100
Shell Holdings (Bermuda) Ltd.	100
Shell Middle East Trading Co. Ltd.	100

Name of Company	Percentage Holding
Shell Overseas Trading Ltd.	100
Shell Saudi Arabia (Refining) Ltd.	100
Shell Trust (Bermuda) Ltd.	100
Solen Insurance Limited	100
Tacoma Co. Ltd.	100
BOLIVIA	
Shell Bolivia S.R.L.	100
BOTSWANA	
Billiton Botswana (Pty.) Ltd.	100
Protea Asphalt (Pty.) Ltd.	50
Shell Oil Botswana (Pty.) Ltd.	100
Shell Coal Botswana (Pty.) Ltd.	100
BRAZIL	
Arbo Comercio, Industria e Reflorestamento Ltda.	100
Asfaltos Vitoria Ltda.	100
Billiton Metais S.A.	100
Casa do Asfalto Ltda.	100
Com. e Admin. de Postos Shell-Ital Ltda.	100
Com. e. Admin. de Postos Concha Dourada Ltda.	50
Com. e. Admin. de Postos de Gasolina Lonorina Ltda.	50
Cosseno S.A. Com. e. Admin.	100
Empresa Imobiliaria Maranhense	40
Flecha S.A. Turismo Comercio e Industria	48
Floryl Florestadora Ype S.A.	50
S.A. Hotelaria de Sao Jose dos Campos	17
Industria de Aditivos do Brasil S.A.	50
LMS (Botafogo) Imoveis Ltda	50
Mackel S.A. Empreendimentos Industriais e Comerciais	50
Mineracao Rio Abaete Ltda.	100
Mineracao Rio Araguari Ltda.	100
Mineracao Rio Batovi Ltda.	100
Mineracao Rio Camaqua Ltda.	100
Mineracao Rio Cumina Ltda.	100
Mineracao Rio Curva Ltda.	100
Mineracao Rio do Norte S.A.	10
Mineracao Rio Indaia Ltda.	100
Mineracao Rio Iriri Ltda.	100

Name of Company	Percentage Holding
Mineracao Rio Itajai Ltda.	100
Mineracao Rio Jatoba Ltda.	100
Mineracao Rio Jauaperi Ltda.	100
Mineracao Rio Mapuera Ltda.	100
Mineracao Rio Nhamunda Ltda.	100
Mineracao Rio Pajeu Ltda.	100
Mineracao Rio Paramirin Ltda.	100
Mineracao Rio Parana Ltda.	100
Mineracao Rio Tibaji Ltda.	100
Mineracao Rio Tiete Ltda.	100
Mineracao Rio Uatuma Ltda.	100
Petroleo Sabba S.A.	82
Polibrasil S.A. Industria e Comercio	48
Postos Iate Comercio S.A.	60
Rional Compostos Venilicos Ltda.	40
Risel S.A. Comercio e Industria	38
Servicos the Perfuracoes Erasocean Ltda.	50
Shell Brasil S.A. (Petroleo)	100
Shell Exploration Services	100
Shell Quimica S.A.	100
Soptos S.A. Com. e Administracao	100
Temana Productos de Consumo Domestico Ltda.	100
Termerid Mineracad S.A.	87
Transmesa S.A. Transporte e Mecanica	38
Valesul Alumino S.A.	44
BRUNEI	
Brunei Coldgas Ltd.	33
Brunei LNG Ltd.	33
Brunei Shell Marketing Co. Ltd.	50
Brunei Shell Petroleum Co. Ltd	50
CAMBODIA	
Shell Cambodge	100
CAMEROON	
Soc. des Bitumes et Cut Backs du Cameroun	5
Camgaz	50
Soc. Cameroonaise des Depots Petroliers	10
Soc. Cameroonaise Equatoriale de Fabrication de Lubricants	20
Soc. Shell Cameroonaise de Recherches et d'Exploitation	100

Name of Company	Percentage Holding
Soc. Shell Chimie Douala	100
Soc. Shell du Cameroon	100
Soc. Sucriere du Camaroon	4
CANADA	
Alberta Products Pipeline Ltd.	8
Alsands Energy Ltd.	79
Artelonics Ltd.	79
Atco Marine Exploration Ltd.	28
Beaver Service Centres Ltd.	79
Billiton Canada Ltd.	100
Bioshell Inc.	79
Bulkley Valley Collieries Ltd.	79
Canadian Autocare Ltd.	79
Canadian Oil Co. Ltd.	79
Canadian Plant Breeders Ltd.	50
Carnduff Gas Ltd.	8
Cascade Pipe Line Ltd.	8
Comen & Sons Fuels Ltd.	79
Commercial Solids Pipe Line Co.	39
Crows Nest Forest Products Ltd.	79
Crows Nest Forest Products (1982) Ltd.	79
Crows Nest Industries Ltd.	79
Crows Nest Resources Ltd.	79
Cynthia Gas Gathering Co. Ltd.	1
Enesco Chemicals Ltd.	31
Enterprises Ltd.	13
Enviroglas Inc.	79
Fibreco Export Inc.	2
Handy Andy Inc.	16
International Energy Co.	1
Interprovincial Pipe Line Ltd.	2
Kootenay and Elk Railway Co.	79
Line Creek Coal Co. Ltd.	79
Mineral Resources International Ltd.	3
Montreal Pipe Line Co. Ltd.	13
Nanisivik Mines Ltd.	11
North Star Oil Ltd.	79

Name of Company	Percentage Holding
Nova, An Alberta Corporation	1
Peace Pipe Line Ltd.	10
Petrogas Processing Ltd.	20
Progas Ltd.	8
Redwater Water Disposal Co. Ltd.	1
Rimbey Pipe Line Co. Ltd.	7
Shell Canada Ltd.	79
Shell Canada Resources Ltd.	79
Shell Canadian Tankers Ltd.	79
Shell Chemical Corp. of Canada Ltd.	79
Shell Investments Ltd.	100
Shell Petroleum Co. of Canada Ltd.	79
Shell Properties Ltd.	100
Shell Quebec Limited	79
Sulconam Inc.	6
Sultran Ltd.	11
Sun-Canadian Pipe Line Co. Ltd.	34
Trans-Northern Pipelines Inc.	26
Trans-Mountain Pipe Line Co. Ltd.	7
Vocatel Inc.	79
Weathercoating Inc.	39
CAPE VERDE ISLANDS	
Shell Cabo Verde S.A.R.L.	100
CAYMAN ISLANDS	
Nickerson International Plant Breeders Ltd.	100
CENTRAL AFRICAN EMPIRE	
Soc. Shell Centrafricaine de Recherches et d'Exploitation	100
Total Centrafricaine de Gestion (Tocages)	5
CHILE	
Administradora Estaciones de Servicio Shell S.A.	100
Asseraderos Copihue S.A.	55
Bosques de Chile S.A.	55
Bosques Monterrey Ltda.	55
Inversiones Shell S.A.	100
Reactivos de Flotacion S.A.	100
Shell Chile S.A. Comercial e Industrial	100
Transportes Banco Ltda.	55

Name of Company	Percentage Holding
COLOMBIA	
Cerro Matoso S.A.	44
Shell Colombia S.A.	100
COMORO ISLANDS	
Soc. Comorienne de Produits Petroliers S.A.R.L.	50
COSTA RICA	
Compania Quimica Costarricense S.A.	100
CHINA	
Shell China	100
Shell Exploration (China)	100
CUBA	
C.E.A. Anglo-Cubana de Navegacion S.A.	100
Cia. Distribuatora Mex S.A.	100
Exploradora Insular S.A.	100
Exploradora y Explotadora de Petroleo Puerto Principe S.A.	100
Minera de Bahama	100
Minera de Turiguano	100
Cia. Petrolera la Estrella de Cuba	100
Cia. Petrolera Shell de Cuba S.A.	100
CYPRUS	
Shell Cyprus Trading Ltd.	100
The Shell Services Co. of Cyprus Ltd.	100
DENMARK	
*Aarhaus Coal Terminal	15
A/S af 9/3/1972	100
K. Balling-Engelsen A/S	100
Colas Vejmateriale A/S	100
A/S Dansk Shell	100
Dansk Styropack A/S	100
Ekvidan A/S	100
Det Gronlandske Clieaktieselskab	25
Hydrant Anlaegget Als	25
Metax Olie A/S	100
Musholm Lax Aps	50
Nordisk Wavin A/S	58
P/F Shell	100
Shell Center Bornholm A/S	100
Shell Center Lolland-Falster Moen A/S	100

Name of Company	Percentage Holding
Shell Center Nordsjaelland A/S	100
Shell Center Nordjylland A/S	100
Shell Center Odense A/S	100
Shell Center Ostjylland A/S	100
Shell Center Sjaelland	100
Shell Center Sonderjylland A/S	100
Shell Storkoebenhavn A/S	100
Shell Center Sydjylland A/S	100
Shell Center Vestjylland	100
Shell Center Viborg A/S	100
Shell Farm A/S	100
Shell Olie-og Gasudvinding Denmark	100
A/S Shell Service	100
Temana Danmark Aps.	100
DJIBOUTI	
Petroles de Djibouti	100
Shell Djibouti	100
DOMINICAN REPUBLIC	
Lubricantes Dominicanos, S.A.	50
Polyplas Dominicana C. por A.	5
Propiesa, S.A.	100
Cie. Quimmica Dominicana S.A.	100
Quindoa C. por A.	100
Refineria Dominicana de Petroleo S.A.	50
ECUADOR	
Compania Ecuatoriana de Lubricantes S.A.	70
EGYPT	
Deminex Egypt Oil Co.	17
EL SALVADOR	
Distribuidora Shell de El Salvador S.A.	100
Refineria Petrolera Acajutla S.A.	35
Shell El Salvador	100
Shell Quimica de El Salvador S.A.	100
FEDERAL REPUBLIC OF GERMANY	
AK Chemie G.m.b.H.	37
AK Chemie G.m.b.H. & Co., K.G.	29
Aktionsgemeinschaft Deutsche Steinkohlenreviere G.m.b.H.	2

Name of Company	Percentage Holding
Angewandte Isoliertechnik Ait G.m.b.H.	50
Apollo-Tankstellenbetriebs G.m.b.H.	100
Bardia Handels G.m.b.H.	100
Bayerische Erdgas Leitung G.m.b.H.	17
Bemberg Shorko G.m.b.H.	50
Bernward Kleine Mineralole G.m.b.H.	100
Biekarck Mineralolvertrieb G.m.b.H.	100
Billiton Metals & Ores Deutschland G.m.b.H.	100
Billiton Witmetaal G.m.b.H.	100
Bramin Mineralolvertrieb G.m.b.H.	100
Breusch & Berberich Brenstoffvertrieb G.m.b.H.	100
Caratgas Fluessiggas Versorgungs G.m.b.H.	32
Colas Bauchemie G.m.b.H.	100
Craiss Mineralolvertrieb G.m.b.H.	100
Debef Chemie G.m.b.H.	100
Deudan-Holding G.m.b.H.	33
Deutsche Erdgas Transport G.m.b.H.	32
Deutsche Fleussigerdgas Terminal G.m.b.H.	12
Deutsche Gesellschaft fur Bauinteressen m.b.H.	100
Deutsche Gesellschaft fur Erdoelinteressen m.b.H.	100
Deutsche Gesellschaft fur Oelwaermeinteressen m.b.H.	100
Deutsche Gesellschaft fur Tankstellen-und Parkhausinteressen m.b.H.	100
Deutsche Latexfalt G.m.b.H.	100
Deutsche Shell A.G.	100
Deutsche Shell Chemie G.m.b.H.	100
Deutsche Shell Tanker G.m.b.H.	100
Deutsche Transalpine Oelleitung G.m.b.H.	15
Dima-Chemie Produktions-u-Vertrieb fur Chemische Spezialprodukte G.m.b.H.	100
Dorner & Breuer G.m.b.H.	100
Dumo Plastics G.m.b.H.	100
EMPL Mineralolvertrieb G.m.b.H.	100
Emsland-Erdoelleitung G.m.b.H.	13
Erdgas-Verkaufs G.m.b.H.	14
Este Lager-und Handelgesellschaft m.b.H.	100
Ferngas Salzgitter G.m.b.H.	12
Fluessiggas Grossvertrieb fur Propan und Butan G.m.b.H.	100

Name of Company	Percentage Holding
Fluessiggas Terminal Emden G.m.b.H.	100
Gebr. Wiessner Propan Grossvertrieb G.m.b.H.	100
Gekon Gesellschaft fur Konsumgueter	100
Gekon Temana Gesellschaft fur Chemische Konsumgeuter m.b.H.	100
Gesellschaft fur Datenverarbeitungs Service m.b.H.	100
Gesellschaft fur die Veredelung und den Vertrieb von Mineraloel produkten m.b.H.	100
Gesellschaft fur Gas Interessen m.b.H.	100
Gesellschaft zur Beseitigung von Sondermuell in Bayern m.b.H.	1
Gewerkschaft Brigitta	50
Gewerkschaften Brigitta und Elwerath Betriebsfuehrungs G.m.b.H.	50
Gewerkschaft Elwerath	50
Gewerkschaft Erdoel-Raffinerie Deurag-Nerag	50
Gossling Mineralolvertrieb G.m.b.H.	100
Grubert Mineralolvertrieb G.m.b.H.	100
Hamburgische Schiffbau-Versuchsanstalt G.m.b.H.	3
Hannoverische Erdoelleitungs G.b.m.H.	25
Hans Von Reppert Schmierstoffhandels G.m.b.H.	100
Helios Fernwaermegesellschaft m.b.H.	100
Holsten Mineralolvertrieb Kiel G.m.b.H.	100
Hydranten-Betriebs-Gesellschaft Flughafen Frankfurt/Main Gbr.	17
Industrieversicherungs-Vermittlungs m.b.H.	100
Ingal International Gallium G.m.b.H.	50
Isoliertechnik G.m.b.H.	100
P. Koerber Spezialschmierstoffe fur die Keramik-und Betonindustrie G.m.b.H.	100
Kohnen Mineralolvertrieb G.m.b.H.	100
Main-Taunus Mineralolvertrieb G.m.b.H.	100
Martin Mohlmann Mineralole G.m.b.H.	100
Metrec Metals Recycling G.m.b.H.	100
Meyer Mineralolvertrieb und Warmedienst G.m.b.H.	100
Mineralol-Agentur Albert Gent G.m.b.H.	100
Mineralolvertrieb Amberg Schwandorf G.m.b.H.	100
Mineralolvertrieb Dortmund G.m.b.H.	100
Mineralolvertrieb Einbeck G.m.b.H.	100
Mineralolvertrieb G.m.b.H. Lahn-Dill	100

Name of Company	Percentage Holding
Mineralolvertrieb Mehlem G.m.b.H.	100
Mineralolvertrieb Moller G.m.b.H.	100
Mineralolvertrieb Nordschwaben G.m.b.H.	100
Mineralolvertrieb In Osnabruck G.m.b.H.	100
Mineralolvertrieb Rhenania G.m.b.H.	100
Mineralolvertrieb Staufen G.m.b.H.	100
Mineralolvertrieb G.m.b.H. Sudhessen	100
Minerva Mineralolvertrieb und Berliner Feuerungsdienst G.m.b.H.	100
Mirobo Gesellschaft fur den Vertrieb von Spezialschmierstoffen m.b.H.	100
Mittelrheinische Erdgastransport G.m.b.H.	26
Montanore G.m.b.H.	100
MVK Mineralolvertrieb G.m.b.H.	100
MVO Mineralolvertrieb G.m.b.H.	100
Neckar-Alb Mineralolvertrieb G.m.b.H.	100
Neo-Metall Handelsgesellschaft m.b.H.	100
Neubajer Mineralole G.m.b.H.	100
Nickerson Pflanzenzucht G.m.b.H.	100
Nickerson ZWAAN G.m.b.H.	100
Nordrheinische Erdgastransport G.m.b.H.	20
Norodeutsche Erogas-Aufdereitungs, G.m.b.H.	25
OMV Mineralolvertrieb in Osnabruck G.m.b.H.	100
Pappenberger Mineralolvertrieb G.m.b.H.	100
Possehl Spezialbau G.m.b.H.	50
Propan-Menke, Christian Menke & Co. G.m.b.H.	100
Rauch Mineralolvertrieb G.m.b.H.	100
Recozell Flachdach G.m.b.H.	50
Recozell Kunstoff G.m.b.H. Leichtbauelemente & Co.	25
Recozell-Leichtbauelemente G.m.b.H.	50
Rheinsas-Erdgasleitung G.m.b.H.	25
Rheinische Olefinwerke G.m.b.H.	50
Rhein-Main Rohrieitungstranport G.m.b.H.	41
Rhenania Mineralolvertrieb G.m.b.H. Kaiserlauterm	100
Rhenania Mineralolvertrieb G.m.b.H. Mayen	100
Ruhrgas A.G.	15
Scheibler Mineralolvertrieb G.m.b.H.	100
Schubert K.G.	14

Name of Company	Percentage Holding
Shell Waerme G.m.b.H.	100
Siebe Mineralolvertrieb G.m.b.H.	100
Siegener Mineralolvertrieb G.m.b.H.	100
Stolberger Zincoli G.m.b.H.	50
Sudbadischer Mineralolvertrieb G.m.b.H.	100
Sudgadisc er Mineralolvertrieb G.m.b.H.	100
Sueddeutsche Erdgas Transport G.m.b.H.	32
Tanklager Gesellschaft Koeln-Bonn GBR	14
Tanklager Gesellschaft Yegel GBR	25
Tego Industrie und Bauchemie G.m.b.H.	100
Tejtonia Mineralolvertrieb H. Obermauv G.m.b.H.	100
Thyssengas G.m.b.H.	25
Tiofine (Deutschland) G.m.b.H.	50
Van der Ploeg Samenzuchi G.m.b.H.	100
VWG Mineralole G.m.b.H.	100
VWG-Osmin Mineralolvertrieb G.m.b.H.	100
Wavin G.m.b.H.	100
Weissman Mineralolvertrieb G.m.b.H.	100
Werner Mineralolvertrieb G.m.b.H.	100
Werra-Kunstoff & Co. G.m.b.H.	6
Werra-Kunstoff G.m.b.H.	6
Weser-Elbe Mineralolvertrieb G.m.b.H.	100
Weser Mineraloivertrieb G.m.b.H.	100
Westdeutsche Erdoelleitungs G.m.b.H.	25
Westdeutsche Industrie Siedlungs G.m.b.H.	75
Westgas G.m.b.H.	13
Gebr. Weesener Propan Grossvertrieb G.m.b.H.	100
Wjrzeurger Mineralolvertrieb G.m.b.H.	100
Wohnungs Baugesellschaft Steimbke-Podewald m.b.H.	50
Yeme Shell Explorations G.m.b.H.I.L.	100
A.R. Zwaan und Sohn G.m.b.H.	100
FIJI	
Shell Fiji Ltd.	100
FINLAND	
Espe O/Y	50
Fastighetsaktie balaget Wasa Torgcentrum	100
oy Nesteka A/B	100

Name of Company	Percentage Holding
Rudste-Esto O/Y	100
oy Shell ab	100
FRANCE	
Agrishell	100
Anciens Etablissements A. Poulet	96
Angkor	100
Soc. "Application de Gaz"	70
Artois Informatique	97
Aubry S.A.	24
Soc. Bearnaise des Gaz Liquefies	28
Billiton Exploration France	100
J. Braconnot & Cie.	100
Soc. de Caution Mutuelle pur le Chauffage au Fuel	56
Celor Diffusion	99
Centre Routier du Frenev-Mont Cenis-Frejus	10
Chalvent	81
Soc. des Charbons Industriels du Nord	24
Cie. Chimique de la Mediterranee	50
Soc. du Chlorure de Vinyle de Fos	60
Soc. Civile Immobiliere de la Route de Chevry	75
Colas	20
Comptoir Auxiliare du Petrole	14
Comptoir des Metaux S.A.	30
Soc. pour la Construction et L'entretien des Routes	14
Copitherm-Starex (Soc. de Confort Thermique)	88
Cover-Kote	98
Criterium Garage	98
Depot Petrolier de la Region Stephanoise	11
Depot Petrolier de Mourepiane	5
Depot Petrolier du Gresivaudan	9
Depots de Petrole Cotiers	17
Depots Petroliers de la Corse	10
Les Docks des Petroles D'Ambes	10
D.S.B. Poussier	69
Dorlyl	60
S.A. D'Economie Mixte du Pont de St. Nazaire St. Brevin	8
Entrepot Petrolier de Chambery	27

Name of Company	Percentage Holding
Entrepot Petrolier de Mulhouse	16
Entrepot Petrolier de Nancy	5
Entrepot Petrolier de Valenciennes	15
Etablissement Maritime de Caronte Etde Fos	11
Etablissements Marcel Brieuc	75
Etablissements Maurice Rastello	99
ETS Holland Graines S.A.R.L.	100
Euro Stop Relais	19
Soc. de Fournitures Generales pour l'Automobile	96
Cie. Francaise de l'Etain	100
Soc. Francaise de Stockage Geologique	24
Soc. Francaise du Pipe-Line du Jura	99
Garage de la Poste	96
Soc. du Garage Souterrain de l'Avenue Foch	6
Geng Mazout Sequatherm	97
General Holding	98
Geobutane Lavera	10
Geomines-Caen	10
Geovexin	20
Gerland Etancheite	12
Soc. de Gestion Mobiliere et Immobiliere	100
Soc. Havraise de Manutention de Produits Petroliers	26
Indasco France	100
Cie. Industrielle des Pondereux du Havre	10
Institut de Formation Continue	62
Soc. d'Investissements de Travaux Publics	34
Isobox	100
Soc. de Manutention de Carburants Aviation	16
Maritime de Caronte	11
Soc. Maritime Shell	96
Soc. Mediterraneenne d'Exploitation Thermique	67
Mistral Automobiles	97
Le Moulage Automatique S.A.	74
Nickerson S.A.	100
Soc. du Negoce du Petrole	98
Nickerson S.A.	100
Nickerson International Plant Breeders S.A.	100
Soc. Octel-Kuhlmann	18

Name of Company	Percentage Holding
Octel S.A.	37
Soc. Orange	52
Ouest Confort	89
Soc. du Parc Etoile Foche	9
Soc. Parisienne de Charbons Industriels	21
Soc. du Parking d'Estienne d'Orves	85
Soc. du Parking de la Promenade du Paillon	85
Soc. des Petroles et des Combustibles Liquides	98
Cie. Phoceenne de Chauffage	88
Soc. du Pipeline Geostock "Manosque Berre"	26
Soc. du Pipeline Mediterranee Rhone	16
Soc. du Pipeline Sud-Europeen	20
D.S.B. Poussier	81
Produits Chimiques Fournier	35
La Provencale d'Automation et de Mecanique	24
Soc. Provencale des Bitumes	82
S.A. de la Raffinerie des Antilles	24
Raffinerie du Midi	32
Le Relais des Poids Lourds	96
Cie. Rhenane de Raffinage	84
Cie. Rhenane de Transport Thermique	45
Soc. Rhone Alpes Emonet Thermique	75
Risques Industriellés et Courtage d'Assurances	97
Rivier Chauffage	14
Sabec	90
Servitherm	11
Soc. Shell des Antilles et de la Guyane Francaise	100
Soc. Shell de Recherches et d'Exploitation de Guyane	100
Shell Chimie	100
Shell Francaise	97
Shell Immeubles	100
Shell Recherche S.A.	99
Shell Tour	57
Sochan Soc. Nouvelle de Chauffage	87
Solycaf	84
Soveca	100
Star M.B.	96

Name of Company	Percentage Holding
Soc. du Stockage Geoligique dans le Sel de Manosque	22
Super Station Service Raspail	96
Systemas Energis Services	97
Techniques et Materiels Nouveau (Techmano)	64
Temana France	100
La Thermique Appliquee Moderne	100
Thermocler	94
Soc. des Transports Petroliers Par Pipeline	10
Soc. Pour l'Utilisation Rationelle des Gaz	100
Soc. Vernolienne de Laboratoire	96
Wavin S.A.R.L.	100
FRENCH GUIANA	
Shell des Antilles et de la Guyane Francaises	100
Shell de Recherches et d'Exploitation de Guyane	100
GABON	
Soc. Gabonaise de Cellulose	1
Soc. Gabonaise de Fuis	24
Soc. Gabonsise de Leasing Immobilier	25
Soc. Gabonaise des Petroles Shell	75
Soc. Gabonaise de Raffinage	9
Shell Gabon	75
Soc. Meuniere et Avicole du Gabon	1
Pizo	15
Pizolub	13
Soc. des Produits Oleagineux de Gabon "SEPOGA"	10
GHANA	
Ghana Industrial Farms Ltd.	30
Shell Ghana Ltd.	60
GIBRALTAR	
Shell Gibraltar	100
GREECE	
Alexandroupolis Petroleum Installation S.A.	33
Consuma S.A.	81
Hellas Agro Ltd.	33
Hermes S.A.	100
Ostracon S.A.	53
Rhodes Petroleum Installation S.A.	39
Sellas S.A.	100

Name of Company	Percentage Holding
Shell (Hellas)	100
Shell Chemicals (Hellas)	100
GUATEMALA	
Cia. Distribuidora Guatemalteca Shell	100
Shell Quimica de Guatemala S.A.	100
GUINEA	
Compagnie dex Bauxites de Guinee	3
Shell Aviation Guinee	100
Shell Guinee	100
HONDURAS	
Shell Honduras S.A.	100
HONG KONG	
Phido (Wire Services) Co. Ltd.	60
Shell Developments (H.K.) Ltd.	100
Shell Hong Kong	100
Shell North West Pacific Ltd.	100
Shell Pacific Enterprises Ltd.	100
Taikoktsui Investment Co. Ltd.	100
Woodex International Ltd.	79
ICELAND	
Oliufelagid 'Skeljungur' h.f.	24
INDIA	
National Organic Chemical Industries Ltd.	33
Polyolefins Industries Ltd.	10
Wavin India Ltd.	23
P.B. Waviwell India Ltd.	18
INDONESIA	
Mamberamo Shell	100
P.T. Riau Tin Mining	90
Riau Tin Mining	90
P.T. Wavin Duta Jaya	13
IRAN	
Abadan Lubricants Manufacturing Co.	25
Iran Shell Cott (Sahami Khas)	71
Pars Investment Corporation	14
Pars Oil Company	25
Shell Chemical Company Iran	100
Shell Oil Iran	100

Name of Company	Percentage Holding
IRISH REPUBLIC	
Alumina Contractors Ltd.	35
The Asiatic Petroleum Co. (Dublin) Ltd.	100
Aughinish Alumina Ltd.	35
Aughinish Estates	35
Aughinish Finance Ltd.	35
Aughinish Property (Nominees) Ltd.	35
Baryton Mining Ltd.	100
Billiton Aluminium Ireland Ltd.	100
Billiton Exploration Ireland Ltd.	100
Billiton Solders Ireland Ltd.	100
Chemoran Ltd.	100
Chemoran Road & Building Services Ltd.	100
Cold Chon (Galway) Ltd.	100
Colfix (Dublin) Ltd.	100
Domino Ltd.	100
Ergas Ltd.	75
Ergas (Autogas) Ltd.	75
Ergas (Holdings) Ltd.	75
Ergas (Rentals) Ltd.	75
Euroseeds Ltd.	100
Irish National Gas Ltd.	75
Irish Shell Ltd.	100
Irish Shell Petroleum Development Co. Teoranta	100
Irish Shell Trust Ltd.	100
John G. Rathborne Ltd.	100
Lalor Ltd.	100
Lisheen Investments	100
Nickerson Irish Plant Breeders Ltd.	100
Road Binders Ltd.	100
Road Maintenance Services	100
Shell Composites (Ireland) Ltd.	100
Shell Chemicals Ireland	100
Shell-Mex (Dublin) Ltd.	100
Shellstar Ireland Ltd.	100
Temana Ireland Ltd.	100
Wavin Ferdia Ltd.	58

Name of Company	Percentage Holding
Wavin Ferdia (Exports) Ltd.	58
Wavin Pipes Ltd.	100
ISLE OF MAN	
Billown Lime Quarries Ltd.	100
Colas (I. O. M.) Ltd.	100
C. Kniveton Ltd.	100
C.P. (I.O.M.) Ltd.	100
Thorkeld Brick Co. Ltd.	100
ITALY	
Soc. Italiana Additivi per Carburanti	18
Soc. Italiana per l'Oleodotto Transalpino	15
Shell Italia S.p.a.	100
Temana Italia S.p.a.	100
IVORY COAST	
Soc. Africaine Shell Chimie	100
Consortium des Agrunes et Plantes à Parfum de Cote d'Ivoire	1
Soc. d'Entreposage de San Pedro	7
Gaz de Cote d'Ivoire	16
Soc. Ivoirienne de Fabrication de Lubrifiants	10
Soc. Ivoirienne d'Operations Petrolieres	21
Soc. Ivoirienne de Raffinage	5
Soc. Ivoirenne de Soufflage d'Emballage Plastique	35
Soc. Shell Ivoirienne de Recherches et d'Exploitation	100
Shell Cote d'Ivoire	50
JAMAICA	
Equipment Sales Co. Ltd.	100
Shell Chemicals Jamaica Ltd.	100
JAPAN	
Asahi Kaijirushi K. K.	50
Billiton Metals Japan	100
Chugai Kogyo K. K.	60
Chuo Shell Sekiyu Hambai K.K.	60
Earth Petroleum K.K.	100
Heiwakisen K.K.	24
Hiroshima Shell Pack K.K.	7
Japan Airport Fuelling Services K.K.	6
K.K. Jiyugaoka Estate	80
Jupiter Petroleum K.K.	100

Name of Company	Percentage Holding
Keihin Pipeline K.K.	4
Kichijiya Shell Sekiyu K.K.	25
Kobe Port Service K.K.	9
Kogyo K.K.	10
Kyodo Yushi K. K.	7
Kyoto Sky Parking K.K.	100
Mars Petroleum K.K.	100
Mercury Petroleum K.K.	100
Mieseki Shogi K.K.	33
Mitsubishi Yuka K.K.	27
Neptune Petroleum K.K.	100
Ngkata Yasoemon Shoten	25
Nihon Oil Terminal K.K.	2
Nihon Shell Gijutsu K.K.	50
Nippon LNG K.K.	50
K. K. Nippon Teepol	50
Osaka Shell Pack K.K.	50
Rekisei Kagaku K.K.	48
K. K. Rising Sun	100
Sakai Joint Oil Stockpiling Co. Ltd.	29
Sankyo Yuka Kogyo K.K.	10
Sapporo Shell Pack K.K.	50
Seibu Oil	20
Seibu Sekiyu K.K.	20
Sendai Shell Pack K.K.	50
Shell Garden K.K.	50
Shell Kagaku K.K.	100
Shell Kosan K.K.	100
Shell Sekiyu K.K.	100
Shell Sempaku K.K.	100
Shikohu Kaijirushi Sekiyu K.K.	50
Shin Nishi Nihon Sekiyu Kaihatsu K.K.	31
Shoseki Kasei K.K.	50
Shoseki Kosan K.K.	50
Shoseki Shoji K.K.	50
Shoseki Tanker K.K.	50
Showa Sekiyu K.K.	50

Name of Company	Percentage Holding
Showa Sekiyu Asphalt K.K.	50
Showa Yokkaichi Sekiyu K.K.	50
Toa Sekiyu K.K.	13
Tokyo Shell Pack K.K.	52
Yuka Shell Epoxy K.K.	63
KENYA	
BP Kenya Ltd.	50
The BP-Shell Petroleum Development Co. of Kenya Ltd.	50
Chemelil Sugar Co. Ltd.	1
Colas East Africa Ltd.	100
Crop Protection Chemicals Ltd.	50
East African Oil Refineries Ltd.	13
Kenya Autochemicals Ltd.	42
Kenya Molasses Cattle Feed Ltd.	50
Kenya Shell Ltd.	50
Shell Kenya Provident Trust Ltd.	50
KOREA	
Kukdong Shell Petroleum Co. Ltd.	50
LAOS	
Soc. Shell du Laos	100
LESOTHO	
Lesotho Road Binders (Pty.) Ltd.	50
Shell Oil Lesotho (Pty.) Ltd.	100
LIBERIA	
A.P. Shipping Corp.	100
Lepton Shipping Corp.	
LIECHTENSTEIN	
Breitaker A. G.	50
LUXEMBOURG	
Adela Investment Company S.A.	2
Shell Luxembourgeoise S.A.	100
Transalpine Finance Holdings	15
MALAGASY REPUBLIC	
Bureau Technique Shell Chemie	100
Soc. Malgache de Raffinage	6
Soc. Maritime de Madagascar	50
Produits Lubrifiants de Madagascar	17

Name of Company	Percentage Holding
S.A. de la Residence d' Antaninarenina	50
Soc. Shell de Madagascar et des Comores	50
MALAWI	
Bureau Technique Shell Chimie	100
MALAWI	
Bitumen Products Manufacturing Co. Ltd. (Malawi)	50
Shell Chemical (Malawi) Ltd.	100
MALAYSIA	
Malaysia LNG Sendirian Berhad	18
MBP (Malaysia) Sendirian Berhad	49
Sabah Shell	100
Sarawak Shell	100
Shell Malaysia Ltd.	100
Shell Malaysia Trading S.B.	100
Shell Marketing Borneo	100
Shell Refining Co. (Federation of Malaya) B.	75
Tiram Kimia Sendirian Berhad	49
MALI	
Petromali-Shell	50
MARTINIQUE	
Raffinerie des Antilles	100
MAURITIUS	
Shell Co. of the Islands	100
MEXICO	
Colborn-Dawes Mexico S.A. de C.V.	100
Pirisa, S.A. de C.V.	40
Productora Quimica de Jalisco, S.A.	20
Shell Mexico, S.A. de C.V.	100
MOROCCO	
Soc. de Cabotage Petrolier "Petrocab"	17
Cie. d'Entreposage Communautaire	7
Cie. Marocaine de Transports Maritimes	50
Soc. Shell du Maroc	50
Shell Prospecting	100
NAMIBIA	
Namib Surfacing (Pty.) Limited	50
Soswa Properties (Pty.) Ltd.	100
S.W.A. Road Binders (Pty.) Ltd.	31

Name of Company	Percentage Holding
NETHERLANDS	
Aircraft Fuel Supply B.V.	11
Allen-Rohe B.V.	5
Amsterdam Gas B.V.	100
Assurantiekantoor Interore B.V.	100
Auto West B.V.	100
Bangladesh Shell Petroleum Development B.V.	100
Beleggingsmij. Billiton B.V.	100
Billiton B.V.	100
Billiton Aluminum B.V.	100
Billiton Aluminum Australia B.V.	100
Billiton Delfstoffen B.V.	100
Billiton Exploratie Maatschappij B.V.	100
Billiton Exploratie Maatschappij Indonesia B.V.	100
Billiton Exploration B.V.	100
Billiton International Metals B.V.	100
Billiton International Supply B.V.	100
Billiton Maatschappij Suriname, N.V.	100
Billiton Metalen B.V.	100
Billiton Metals & Ores International B.V.	100
Billiton Metals & Ores Nederland B.V.	100
Billiton Mineralen B.V.	100
Billiton Nederland B.V.	100
Billiton Refractories B.V.	100
Billiton Research B.V.	100
Biliton Vanadium B.V.	100
BK Gas B.V.	100
Gebr. Broersen B.V.	100
Budelco B.V.	50
Comprimo B.V.	36
D.O.C. Dutch Offshore Consortium B.V.	17
B.V. Dordtsche Petroleum Mij.	100
Eerste Nederlandse Witmetaal Fabriek B.V.	100
Eindhovense Olie Centrale B.V.	100
Ethyleen Pijpleiding Mij. (Nederland) B.V.	50
Exploitation Mij. A. van den Ban	100
Exploraciones Marinas Shell N.V.	100

Name of Company	Percentage Holding
Financiering en Administratie Kantoor "FINAD" B.V.	100
Financierings Mij. Improvinans B.V.	100
"Fundus Haganus" B.V.	100
Gascentrum Noord—Nederland B.V.	100
Gasunie LNG Terminal B.V.	25
Gasunie LNG Transport B.V.	25
Handelsvereniging Neptunes Holding B.V.	15
Heynen Transport B.V.	51
Hollandse Metallurgische Industrie Billiton B.V.	100
Industriele Producten Brabant B.V.	50
International Gas Transport Mij. B.V.	50
Isobough B.V.	50
Jambi Shell B.V.	100
Kamphuis Kunstoffen B.V.	59
N.V. Kawecki-Billiton Metaalindustrie	50
Kempensche Zink Mij. "Zincs de la Campine" B.V.	100
B.V. Licht en Kracht Mij.	100
Loogas B.V.	100
Looman van den Ban B.V.	100
*Maasvlakte Coal Terminal B.V.	17
Maasvlakte Coal Terminal C.V.	27
*Maasvlakte Olie Terminal C.V.	16
Maasvlakte Olie Terminal N.V.	14
Mij. Tot Exploitatie Van Benzinstations W. VanZijl B.V.	100
N.V. Mij. Tot Exploitatie Van Vracht—Autocentra	25
B.V. Mij. Tot Exploratie Van Delfstoffen	100
Magnesia International B.V.	50
Mamberamo Shell B.V.	100
Machinefabriek "De Rollepaal" B.V.	100
Marine Drilling B.V.	50
Merchandising Handels en Production Mij. B.V.	100
Metrec Metals Recycling B.V.	100
Montanore B.V.	100
Nautilus Ventures B.V.	100
Nederlands Iraanse Aardole Mij. N.V.	100
Nederlandse Aardolie Mij. B.V.	50
N.V. Nederlandse Gasunie	25
B.V. Nederlandse Internationale Industrie—En Handel Mij.	100

Name of Company	Percentage Holding
Neo-Alcu Metaal B.V.	100
Nickerson International Plant Breeders B.V.	100
Nickerson International Plant Breeders (Marketing) B.V.	100
Nickerson Plant Breeders (Netherland) B.V.	100
Nickerson Zwaan B.V.	100
Nickerson Zwaanesse B.V.	100
Noordelijke Zoutwinning B.V.	50
OBA Group B.V.	20
Oliecentrum Noord-Nederland B.V.	100
Oliecentrum West Nederland B.V.	100
Oliecentrum Midden Nederland B.V.	100
Oliehandel de Ijsselstreek	100
Oliehandel "Midden Nederland" B.V.	100
Pakistan Shell Petroleum Development B.V.	100
Parkeergarage Centrum B.V.	100
Pavement Consultancy Services B.V.	100
Pernex B.V.	100
Petra European Trading Co. B.V.	100
Petrola B.V.	100
B.V. Petroleum Assurantie Mij.	100
Protoplan B.V.	100
Raffinaderij Shell Mersin N.V.	100
Replast B.V.	59
Rijnvis Metalen B.V.	100
Rotterdamse Polyolefinen Mij. B.V.	100
N.V. Rotterdam—Rijn Pijpleiding Mij.	40
G. Schott en Zonen B.V.	100
Sepasu Shell B.V.	100
Soc. Shell d'Exploration B.V.	100
Shell Coal Columbia B.V.	100
Shell Coal Enterprises B.V.	100
Shell Exploradora y Productora de Bolivia B.V.	100
Shell Exploradora y Productora del Peru B.V.	100
Shell Exploration B.V.	100
Shell Exploration & Production Co. B.V.	100
Shell Exploration Services (Brazil) B.V.	100
Shell Financierings Mij. N.V.	100

Name of Company	Percentage Holding
Shell Gas Abu Dhabi B.V.	100
Shell Gas B.V.	100
Shell Hydrocarbons B.V.	100
Shell Internationale Chemie Mij. B.V.	100
Shell Internationale Petroleum Mij. B.V.	100
Shell Internationale Research Mij. B.V.	100
Shell Kernenergie N.V.	100
Shell Manufacturing Services B.V.	100
Shell Nederland B.V.	100
Shell Nederland Chemie B.V.	100
Shell Nederland Raffinaderij B.V.	100
Shell Nederland Verkoopmaatschappij N.V.	100
Shell Norden B.V.	100
Shell Nuclear B.V.	100
Shell Olie-og Casudvinding Danmark B.V.	100
Shell Onvoevend Goed B.V.	100
Shell Overseas Exploration & Production B.V.	100
Shell Overseas Investments B.V.	100
Shell Petroleum Development Co. of Libya B.V.	100
Shell Petroleum Development Mozambique B.V.	100
Shell Production B.V.	100
Shell Prospecting B.V.	100
Shell Research B.V.	100
Shell Spanje N.V.	100
Shell Tankers B.V.	100
Shell Winning N.V.	100
Shop Service Center B.V.	100
Singkap Tin Mij. B.V.	100
Siri Shell B.V.	100
Steenkolenhandel Jansen-Bots B.V.	100
Stramit B.V.	50
Sunda Shell N.V.	100
Synbra Unie B.V.	50
Synprodo B.V.	50
Syria Shell Petroleum Development B.V.	100
TDF Tiofine B.V.	50
Temana Nederland B.V.	100

Name of Company	Percentage Holding
Termokomfort B.V.	40
Termoshell Centrum B.V.	100
Tewa B.V.	100
N.V. Turkse Shell	100
Ultra-Centrifuge Nederland N.V.	25
Vac-Gebouw	25
Van den Ban Landbouw B.V.	100
Van den Ban Oliehandel Dordrecht B.V.	100
Van de Rest Butagas B.V.	100
Van der Ploeg Elite Zaden B.V.	100
Van Staveren B.V.	100
Vervoerkantoor Intercito B.V.	100
Voorburgsche Huizen B.V.	100
Vriz Uit B.V.	45
Wafilin B.V.	100
Wavin B.V.	58
Wavin Alpha B.V.	58
Wavin Assurantie B.V.	58
Wavin Beta I B.V.	58
Wavin Delta I B.V.	58
Wavin Diensten D.V.	100
Wavin Gamma I B.V.	58
Wavin KLS B.V.	100
Wavin Nederland B.V.	100
Wavin Nederland Beheer B.V.	100
Wavin Overseas B.V.	100
Wavin Staf B.V.	58
Wavin TWP Beheer B.V.	100
B.V. Wavin KPS	100
B.V. Wavin KSA	100
B.V. Wavin PFP	100
B.V. Wavin R and D	100
B.V. Wavin TWP	100
Westfriese Sietses Isolatie B.V.	100
Westfriese Sietses B.V.	100
Westgastransport B.V.	26
Woldejk Landbouw Centrum B.V.	33
Zuid Drents Oliecentrum B.V.	100

Name of Company	Percentage Holding
B.V. Zuid Nederlandse Olie Centrale	100
Zwaan Seeds B.V.	100
NETHERLANDS ANTILLES	
Bullenbay Marine Services N.V.	90
Curacao Oil Terminal N.V.	90
N.V. Curacaosche Scheepvaart Mij.	100
N.V. Curacaose Petroleum Assurantie Mij.	100
N.V. Internationale Beleggingmij.	100
Madrico N.V.	50
N.V. Petroleum Beleggingsmij.	100
Pecten Curacao N.V.	70
Radio Holland B.V.	10
Raffinaderij Shell Mersin N.V.	100
Sez Services N.V.	33
Shell Antilles and Guianas	100
Shell Curacao N.V.	100
Shell Holding and Licensing N.V.	100
Shell International Finance N.V.	100
Shell Nederlandse Antillen Verkoopmij. N.V.	100
NEW ZEALAND	
B.P. Shell Todd (Canterbury) Services Ltd.	45
Chudleigh Oil Processing Ltd.	50
Crofton Downs Auto Services Ltd.	100
Davin Industries Ltd.	50
Egmont Oil Wells Ltd.	38
Fulton Hogan Holdings Ltd.	25
Gas Liquids Investigating Co. Ltd.	15
H. Baigent & Sons Ltd.	50
Horticultural Merchants Ltd.	40
Kent Heating Ltd.	100
Liquigas Ltd.	19
Mangakahia Forest Ltd.	50
Maui Development Ltd.	19
The New Zealand Refining Co. Ltd.	17
Northland Forest Management Ltd.	50
Reliable Group Holdings Ltd.	50

Name of Company	Percentage Holding
Reliable Roads Ltd.	50
Robert Chemicals Ltd.	100
Shell and BP Pipeline Services Ltd.	50
Shell BP and Todd	38
Shell Chemicals New Zealand Ltd.	100
Shell Forestry New Zealand Ltd.	100
Shell Gas New Zealand Ltd.	100
Shell Manufacturing New Zealand Ltd.	100
Shell New Zealand Holding Co. Ltd.	100
Shell New Zealand Pensions Ltd.	100
Shell Oil New Zealand Ltd.	100
Shell (Petroleum Mining) Co. Ltd.	100
Shell Western Exploration Co. Ltd.	100
Taranaki Oil and Gas Ltd.	28
Temana New Zealand Ltd.	100
Waikato Bitumen Co. Ltd.	50
NICARAGUA	
Compania Quimica Nicaraguensa S.A.	100
Elaboradora Centro Americano de Lubricantes S.A.	100
Shell Nicaragua S.A.	100
NIGER	
Shell Niger	100
Shell Nigeriene de Recherches et d'Exploitation	100
NIGERIA	
Bonny LNG Ltd.	10
National Oil and Chemical Marketing Co. Ltd.	40
Offshore Petroleum Explorations (Nigeria) Ltd.	50
The Shell Petroleum Development Co. of Nigeria Ltd.	100
NORWAY	
A/S Adamstuen Garasjer	100
Andoeya Traffiklag A/S	12
Bergen Servicesenter A/S	10
Botnaneset A/S	19
A/S Bratliegarasjen	100
Fornebu Bilservice A/S	50
A/S Horten Sentrumsbygg	100
A/S Ilargarasjen	100

Name of Company	Percentage Holding
Lena Rutebilsenter A/S	33
Lysaker Oljehavn A/S	50
Marienlyst Garasjer	10
A/S Norske Shell	100
Norske Wavin A/S	59
Ofottank A/S	49
Parkeringhaus A/S	25
Shellgaarden, Oslo	100
Shell Garasjen	100
Shell-Service A/S Bergen	100
Shell-Service A/S Honefoss	100
Shell-Service A/S Kristiansand S.	100
Shell-Service A/S Oslo	100
Shell-Service A/S Skeosmdvollen	100
Shell-Service A/S Stayanger	100
Shell-Service A/S Trondheim	100
Statfjord Transport A/S	8
OMAN	
Petroleum Development Oman Ltd. Liability Company	34
PACIFIC ISLANDS (French)	
Soc. de Gaz d'Oceanie	4
Soc. de Manutention de Carburants Aviation de Tahiti S.A.R.L.	25
Soc. des Petroles Shell des Iles Francaises du Pacifique	100
Shell (Pacific Islands)	100
Shell Papua New Guinea	100
PAKISTAN	
Burmah Shell Pakistan Pensions Trust Ltd.	25
Burmah Shell Pakistan Provident Trust Ltd.	25
Burshane (Pakistan) Ltd.	32
Pakistan Burmah Shell Ltd.	25
Pakistan Refinery Ltd.	15
Pakistan Shell Petroleum Development	100
PAK People Products Corporation Ltd.	25
PANAMA	
Drillpack S.A.	50
Interocean Drilling S.A.	50
Marine Drilling S.A.	50

Name of Company	Percentage Holding
Nautilus Enterprises S.A.	100
Private Investment Company for Asia S.A.	1
Tanker Owners, S.A.	100
PAPUA NEW GUINEA	
Shell Papua New Guinea Pty. Ltd.	100
Shorncliffe (PNG) Pty. Ltd.	100
PARAGUAY	
Compania Administradora de Estaciones de Servicio	100
Shell Paraguay	100
PERU	
Compania de Petroleo Shell del Peru S.A.	100
Shell Exploradora del Peru	100
Shell del Peru	100
PHILIPPINES	
Billiton Minerals (Philippines), Inc.	100
Billiton Philippines Inc.	100
Chemical Systems Corp.	12
First Philippine Industrial Corp.	40
NDC and Shell (Billiton) Minerals Investment Corp.	40
Philippine Petroleum Corp.	28
Philippines Shell Energy Development Enterprises	100
Pilipinas Shell Petroleum Corp.	50
The Shell Chemical Co. (Philippines) Inc.	100
Shell Distribution Co. Inc.	100
Shell Exploration (Philippines) Inc.	100
Shell Gas Philippines Inc.	80
PORTUGAL	
Soc. Acoreana de Armazenagem de Gas, S.A.R.L.	25
Billiton Portuguesa-Desenvolvimento Mineiro Ltd.	100
Desenvolimento Mineiro Ltda.	100
Eurago—Sociedad Agricola, Ltda.	25
Flexipol—Espumas Sinteticas Ltda.	34
Cia. Lusitana do Alumino De Guine e Angola S.A.R.L.	90
OPCA—Nova Organizacao de Obras Publicas e Cimento Armado, Ltda.	3
Soc. Portuguesa de Navios—Tanques Ltda.	3
Cia. Portuguesa de Orbras Para O Turismo Ltda.	100

Name of Company	Percentage Holding
Shell Portuguesa S.A.R.L.	100
Temana—Consumer Products (Portugal) Ltd.	100
PUERTO RICO	
Felco Puerto Rico Inc.	100
The Pipelines of P.R. Incorporated	40
Servicecentro Automotriz Inc.	100
Shell (Puerto Rico)	100
QATAR	
Dukhan Service Company	24
Qatar Shell Service Co.	100
REUNION	
Soc. Reunionnaise d'Entreposage	10
Soc. Reunionnaise de Produits Pétroliers	50
SARAWAK	
Sarawak Shell Berhad	100
SAUDI ARABIA	
Peninsular Aviation Services Co. Ltd.	25
Petromin Shell Refinery Co. Ltd.	50
Saudi Arabian Markets and Shell Lubricants Co.	50
Shell Minerals Exploration	100
SENEGAL	
Soc. Africaine de Raffinage	12
Bel-Air Entreposage	44
Soc. Dakaroise d'Entreposage	13
Iransen et Shell	50
Soc. de Manutention de Carburants Aviation Dakar Yoff	8
Cie. Senegalaise de Lubrifiants	20
Sengaz	11
SIERRA LEONE	
The Sierra Leone Petroleum Refining Co. Ltd.	18
Shell Sierra Leone Ltd.	60
SINGAPORE	
Asiatic Property Co. (Pte.) Ltd.	100
Development Holdings (Pte.) Ltd.	100
Ethylene Glycols (Singapore) (Pte.) Ltd.	20
Shell Chemicals Company of Southeast Asia (Pte.) Ltd.	100
Shell Eastern Chemicals (Pte.) Ltd.	100
Shell Eastern Lubricants (Pte.) Ltd.	100

Name of Company	Percentage Holding
Shell Eastern Petroleum (Pte.) Ltd.	100
Shell Lubricants Blending (Singapore) (Pte.) Ltd.	100
Shell Pacific Developments (Pte.) Ltd.	100
Shell Singapore Alkoxide Products (Pte.) Ltd.	100
Shell Singapore (Pte.) Ltd.	100
Wavin Far East Private Ltd.	58
SOLOMON ISLANDS	
Shorncliffe (Solomon Islands) Ltd.	100
SOMALIA	
Shell Petroleum Development Co. of Somalia S.R.	100
Shell Somalia	100
SOUTH AFRICA	
Abecol (Pty.) Ltd.	50
Abecol Management Services (Pty.) Ltd.	50
African Bitumen Emulsions (Pty.) Ltd.	50
Associated Octel Co. (South Africa) (Pty.) Ltd.	37
Billiton Exploration South Africa (Pty.) Ltd.	100
Billiton Exploration S.W.A. (Pty.) Ltd.	100
Bitroid (Pty.) Ltd.	50
Cera Oil South Africa (Pty.) Ltd.	60
Cera Properties (Pty.) Ltd.	60
Cera Transport & Leasing Co. (Pty.) Ltd.	60
Chemical & Machine Cleaning Services (Pty.) Ltd.	80
Chemico (Pty.) Ltd.	27
Dan Properties (Pty.) Ltd.	100
Delport Bros. Garage & Motor Service (Pty.) Ltd.	100
Denso South Africa (Pty.) Ltd.	25
Dundee Road Products (Pty.) Ltd.	50
Easigas (Pty.) Ltd.	100
Honeylube (Pty.) Ltd.	60
Jacobs Holdings (Pty.) Ltd.	100
Kipdaw (Pty.) Ltd.	100
Manhattan Syndicate Ltd.	50
Melville Properties (Pty.) Ltd.	100
Octel Associates (South Africa)	19
Panplaats Coal Mining Co. (Pty.) Ltd.	100
Pattattafontein (Eindoms) Beperk	100

Name of Company	Percentage Holding
Pegray Investments (Pty.) Ltd.	100
Petrocol (Pty.) Ltd.	50
Pipe Coat (Pty.) Ltd.	50
Protea Asphalt (Pty.) Ltd.	50
Rampart Holdings (Pty.) Ltd.	100
Richards Bay Coal Terminal	15
Robtil Investments (Pty.) Ltd.	100
Semco Lubricants and Chemicals (Pty.) Ltd.	27
Shamrock Mining and Prospecting Company (Pty.) Ltd.	100
Shell and BP South African Petroleum Refineries (Pty.) Ltd.	50
Shell Chemical Mocambique (Pty.) Ltd.	100
Shell Coal South African (Pty.) Ltd.	100
Shell South Africa (Pty.) Ltd.	100
Shell Southern Marketing (Pty.) Ltd.	100
South Africa Lubricants Manufacturing Company (Pty.) Ltd.	34
Styrochem (Pty.) Ltd.	25
S.A. Technical Sales and Manufacturing (Pty.) Ltd.	50
Transvaal Oil Refinery (Pty.) Ltd.	60
Trek Eelegings Beperk	17
Trek Clie Mij. (EDMS) Beperk	17
Trek Petroleum (Eiendoms) Beperk	17
Venturon (Pty.) Ltd.	100
Water Sealers (Pty.) Ltd.	50
SOUTH KOREA	
Aekyung and Shell Co. Ltd.	50
Kukdong Shell Petroleum	50
Shell Pacific Enterprises	100
SPAIN	
Almacenamientos Petroliferos Dishell S.A.	50
Area de Servicio Shell Martorell S.A.	50
Billiton Espanolo S.A.	100
Derivados Fenolicos S.A.	92
Espanolo Shell	100
Cia. General de Semillas S.A.	100
Herfeo, S.A.	48
Industrias Quimicas Asociadas S.A.	33
Cia. Maskor S.A.	100
Navarra Productora de Semillas S.A.	50

Name of Company	Percentage Holding
Cia. Maskor S.A.	100
Soc. Petrolifera Espanola Shell S.A.	100
SRI LANKA	
Lankem Ceylon Ltd.	39
SUDAN	
Port Sudan Refinery Ltd.	50
Shell Sudan Refinery	100
Shell Trust (Sudan) Ltd.	100
SURINAM	
Billiton Suriname	100
Shell Suriname N.V.	100
Shell Suriname Verkoop Mij. N.V.	100
SWAZILAND	
Petrocol (Swaziland) (Pty.) Ltd.	50
Shell Oil Swaziland (Pty) Ltd.	100
SWEDEN	
Arne Skoog Olje A.B.	100
Bensin Stationen Knut Ekman A.B.	100
Boras Oljecentral A.B.	100
Bransleenergi A.B.	100
Dahlbergs Bransle A.B.	100
A.B. Djurgardsberg	5
A.B. Donald Jobson	100
Drivmedelscentralen	2
A.B. Fenom	75
F.S.O.A.	31
A.B. Gunnar Perrsons Bensin & Service	100
Koppartrans A.B.	100
Leopold Thorn A.B.	100
A.B. Svenska Petroleum Administration	17
A.B. Svenska Shell	100
Leopold Thorn A.B.	100
Norlins Bransle A.B.	100
Noroflex A.B.	50
A.B. Nynasstationer	100
Oljeceniralen I Linkoping A.B.	100
Pegasus A.B.	50
Pol Transport A.B.	50

Name of Company	Percentage Holding
Shellgas	100
Shell-Karlivagan Aktiebolag	100
Shell Raffinaderi A.B.	100
Redert A.B. Schell	100
Rex Oljedistribution A.B.	100
A.S. Sylan A.B.	100
A. Scholander and Co. A.B.	100
Stations A.B. Aspudden	91
Stations A.B. Bfaskens	100
Stations A.B. Fagatan 10 I Norr Klping	46
Stations A.B. Ruby	92
Stations A.B. Sofielundsplan	92
Stations A.B. Sollentuna	92
Stations A.B. Taby	100
Stockholms-Behsin & Oljedistributorer	100
Svenska Petroleum Institutet A.B.	20
A.B. Svensk Petroleum Administration	17
Svensk Petroleumlagering Tre A.B.	12
Svenska Shell	100
Svenska Wavin A.B.	58
Sylvan A.B.	100
Tankbaren-Lagpris	100
Temana-Revikal A.B.	90
Thestrup	100
Uppsala Bensin & Olje A.B.	100
SWITZERLAND	
Agroplant A.G.	50
Alpine-Marine Drilling Co. A.G.	50
Bahimiof Parking A.G.	40
Baselland Petrol A.G.	49
Billiton Zug A.G.	100
Elwerath Erdoel und Erdgas A.G.	50
S.A. des Hydrocarbures	25
Soc. Immobiliere des Planches Vallier S.A.	49
Intererra Parking S.A.	5
Jura Bernois Petrole S.A.	49
Jura Petrole S.A.	49
Jura Soleurois Petrol S.A.	49

Name of Company	Percentage Holding
Jura Vaudois Petrole S.A.	49
Leag Aktiengesellschaft fur Luzernisches Erdoel	25
Margot & Paquette S.A.	100
Oleoduc du Jura Neuchatelois S.A.	49
Petrol-Charmettes S.A.	100
Petrosvibri S.A.	25
S.A. du Pipeline a Produits Petroliers sur Territoire Genevois	14
Raffinerie de Cressier S.A.	100
Restoroute de la Gruyere S.A.	3
Ruey S.A.	100
Saraco S.A. Geneva	17
Seag Aktiengesellschaft fur Schweizerisches Erdoel	25
Shell (Switzerland)	100
Tanklager Altishausen A.G.	33
Tanklager Lechelles S.A.	18
Tap-Tankanlage Rumlang A.G.	3
Temana Verkaufs A.G.	100
Termoplan A.G.	100
Termoplan Tankservice A.G.	54
Termoservice A.G.	50
Termostock S.A.	100
Ubag Unterflurbetankungsanlage Flughafen, Zurich	10
TANZANIA	
Hamas Ltd.	100
Shell Petroleum Development Tanzania Ltd	100
Shell Tanzania	100
Van Der Ploag (Tanganyika) Ltd.	100
TCHAD	
Soc. d'Etude et d'Exploitation de la Raffinerie du Tchad	40
Soc. Shell du Tchad	100
Soc. Shell Tchadienne de Recherches et d'Exploitation	100
Soc. Tchadienne d'Entreposage de Produits Petroliers	20
THAILAND	
Alpha Holding Co. Ltd.	49
Billiton Thailand Ltd.	100
Metals Exploration and Development Co. Ltd.	100
Phuket Shipping Services Co. Ltd.	85
Shell Thailand	100

Name of Company	Percentage Holding
Shell Thailand Manufacturing	100
South Thailand Shipping Services Co. Ltd.	72
Spiracia Forestry Co. Ltd.	37
Temsarco Company Limited	100
Thailand Smelting and Refining Co. Ltd.	100
Thai Ocean Transportation Co. Ltd.	30
The Thai Oil Refiners Co. Ltd.	15
Thai Petrochemical Co. Ltd.	69
Thai Shell Exploration and Productions Co. Ltd.	100
TOGO	
Togo et Shell	50
Soc. Togolaise d'Entreposage	10
TRINIDAD	
Shell Chemicals and Services (East Caribbean) Ltd.	100
TUNISIA	
Soc. Butagaz-Tunisie S.A.R.L.	100
Soc. Nordgaz S.A.	50
Soc. Shell de Tunisie	100
Soc. Shell Tunisienne de Development Petrolier	100
Soc. Shell Tunisienne de Recherches et d'Exploitation Tunirex S.A.	100
Sudgaz S.A.R.L.	53
Tunishell	100
TURKEY	
Atas-Anadolu Tasfiyehanesi A.S.	27
Shell Petrol A.S.	100
Shell Turkey	100
Susa Sivi Maddeler Sanayi ve Pazarlama Anonim Sirketi	49
UGANDA	
Shell Uganda Ltd.	50
Shell Uganda Provident Trust Ltd.	50
UNITED KINGDOM	
A&S Constructors Ltd.	100
Abu Dhabi Petroleum Co. Ltd.	24
Allmacadams Ltd.	100
Allmacadams Supplies Ltd.	100
Allroads Plant Hire Ltd.	100
Amalgamated Oxides (1939) Ltd.	100

Name of Company	Percentage Holding
Amos Smith & Sons Ltd.	100
Amos Smith & Sons (Aluminum) Ltd.	100
Amos Smith & Sons (Preston) Ltd.	100
The Anglo-Saxon Petroleum Co. Ltd.	100
Apiezon Products Ltd.	50
The Asiatic Petroleum Co. Ltd.	100
The Associated Octel Co. Ltd.	37
Associated Octel Co. (Plant) Ltd.	37
Autoguard (Automotive Services) Co. Ltd.	100
Bakers Nurseries Ltd.	100
Bannergrade Ltd.	100
Barchester Bituminous Products Ltd.	100
Basrah Petroleum Co. Ltd.	24
B.B.E. (Contracting) Ltd.	100
Beeches Poultry (Knockholt) Ltd.	100
Bees of Chester Ltd.	100
Billiton-Enthoven Metals Ltd.	100
Billiton Exploration (U.K.) Ltd.	100
Billiton Metals & Ores (U.K.) Ltd.	100
Billiton Minerals (U.K.) Ltd.	100
Billiton Overseas Ltd.	100
Billiton Solders U.K. Ltd.	100
Billiton (U.K.) Ltd.	100
Birtley Engineering Ltd.	50
Birtley Engineering (Holdings) Ltd.	50
Bitumals Ltd.	100
Blacksmith Chemical Services Ltd.	50
Bond & Leighton Ltd.	100
BP Marketing Ltd.	60
Bristowes Tarvia Ltd.	100
British Bitumen Emulsions (Scotland) Ltd.	100
British Hybrid Cereals Ltd.	51
British Lead Mills Ltd.	100
British Pipeline Agency Ltd.	50
Bryantor Metals Ltd.	100
Burmah-Shell Oil Storage & Distributing Co. of India Ltd.	50
Burmah-Shell Oil Storage & Distributing Co. of Pakistan Ltd.	50

Name of Company	Percentage Holding
Callenders Ltd.	100
Callenders Bituminous Products Ltd.	100
Callington Zinc Oxide Co.	100
Candles Ltd.	100
Candles Provident Trust Ltd.	100
Certified Seed Ltd.	100
The Ceylon Candle Co. Ltd.	100
Chemical Spraying Co. Ltd.	100
Chemidus Wavin Ltd.	100
City Petroleum Co. Ltd.	100
Colas (Grantham) Ltd.	100
Colas Products Ltd.	100
Colas (Scotland) Ltd.	100
Colas (U.K.) Ltd.	100
Colborn Vitafeeds Research Ltd.	100
The Consolidated Petroleum Co. Ltd.	50
The Consolidated Petroleum Supply Co. Ltd.	50
C.S.C. (Fuels) Ltd.	100
Deeside Titanium Ltd.	63
Devon Fuels Ltd.	100
Dussek Bitumen & Taroleum Ltd.	100
E. G. Dudman Ltd.	100
E.G.M. Solders (Scotland) Ltd.	100
East Kent Packers Ltd.	1
Emerald Velvet (Overseas)	100
Enthoven & Sons Ltd.	100
Ergas (N.I.) Ltd.	75
Ergas (U.K.) Ltd.	75
Expanded Polystyrene Technology Ltd.	100
Farm Management Ltd.	100
Farm Seeds Ltd.	100
Farm Seeds (Potatoes) Ltd.	100
Firland Metals Ltd.	100
Gateway West Argyll Ltd.	100
George M. Callender & Co. Ltd.	100
Girdler Brunton Ltd.	100
The Grozny-Sundja Oil Fields, Ltd.	86
Hamilton Transport Ltd.	100

Name of Company	Percentage Holding
Harvey Waddington Ltd.	100
Hazelsun Ltd.	100
Hicks Chicks Ltd.	100
Highland Bitumens Ltd.	33
Holman Michel & Co. Ltd.	100
Hydraulic Tin Ltd.	100
I.C.B. Ltd.	100
Indasco Ltd.	100
International ... and Waterways, Ltd.	100
International Metals Ltd.	100
International Refining Co. Ltd.	100
Iranian Oil Participants Ltd.	14
Iranian Oil Services Ltd.	14
Iranian Oil Services (Holdings) Ltd.	14
Iraq Petroleum Co. Ltd.	24
Jack Dean (Oils) Ltd.	100
John Church (Scarisbrick) Ltd.	100
John Voges Co. Ltd.	100
Kawecki-Billiton (U.K.) Ltd.	50
Kedjuz Holdings Ltd.	100
Kenninshall Welding & Engineering Co. Ltd.	100
King's Asphalt Ltd.	100
Laxton & Bunyard Nurseries Ltd.	100
Lenta Properties Ltd.	25
Lion Emulsions Ltd.	100
London and Thames Haven Oil Wharves Ltd.	100
C. B. Lowe (1920) Ltd.	100
Lubricants Producers Ltd.	100
Mark Smith Ltd.	100
Maryland Alloys Ltd.	100
Medway Oil & Storage Co., Ltd.	60
Metal Scrap and By-Products Ltd.	100
The Mexican Eagle Oil Co. Ltd.	100
Morning Star Foods Limited	100
Morris Ashby Ltd.	100
Mytilus Insurance Co. Ltd.	100
The New Schibaieff Petroleum Co. Ltd.	50

Name of Company	Percentage Holding
E. W. Nickerson & Sons	100
Nickerson RPB Ltd.	100
Nickerson Sugar Beet Seed Ltd.	100
The Nickerson Seed Co. Ltd.	100
Nickerson Seed Investments Ltd.	100
Nickersons Farm Seeds (1983) Ltd.	100
Nickersons Pendrith Seeds	100
Nickerson's Seeds (Wholesale)	100
Nickerson's Sugar Beet (Research)	100
Nickerson Zwaan Ltd.	100
Nickersons Seed Specialists Ltd.	100
The North Caucasian Oil Fields, Ltd.	10
North Lincolnshire Data Services Ltd.	100
*Octel Associates	37
Offshore Medical Support Ltd.	17
Old Tree (Farm Produce) Ltd.	100
Osma Plastics Ltd.	59
Overseas Coal Development Ltd.	25
Petchey (Service Station) Ltd.	100
Petro Central Ltd.	50
Petroleum Services (Middle East) Ltd.	24
Plycol Ltd.	100
Price's (China) Ltd.	100
Price's Patent Candle	100
Price's Petroleum Co. Ltd.	50
Price's (South Africa) Ltd.	100
Price's (Zimbabwe) Ltd.	100
Private Oil Holdings Oman Ltd.	85
Qatar Petroleum Co. Ltd.	24
Rebron Ltd.	100
Retread (Roads) Ltd.	100
Retread Roads (Scotland) Ltd.	100
R. E. Roberts and Sons Ltd.	100
Sabah Shell Petroleum Co. Ltd.	100
Seahorse Electronics Ltd.	100
Sea View Poultry Farms Ltd.	100
Seed Services Ltd.	100

Name of Company	Percentage Holding
Selap, Ltd.	100
Shell Aircraft Ltd.	100
Shell and BP Red Sea Trading Ltd.	50
Shell & B.P. Scotland Ltd.	60
Shell and B.P. Services Ltd.	50
Shell Antilles and Guianas Ltd.	100
Shell Chemicals U.K. Ltd.	100
Shell Composites Ltd.	100
Shell Chemical Co. Ltd.	100
Shell Chemical Co. of Central Africa Ltd.	100
Shell Chemical Co. of Eastern Africa Ltd.	100
Shell Chemical Distributing Co. Ltd.	100
Shell Chemical Services (Overseas) Ltd.	100
Shell Chemicals (Hellas) Ltd.	100
Shell Chemicals Ireland Ltd.	100
Shell Chemicals U.K. Ltd.	100
Shell China Ltd.	100
Shell Coal Enterprises Ltd.	100
Shell Coal International Ltd.	100
The Shell Co. of Bangladesh	100
The Shell Co. of Bulgaria Ltd.	100
The Shell Co. of Burma Ltd.	100
The Shell Co. of China Ltd.	100
Shell Company of Gibraltar Ltd.	100
Shell Co. (Hellas) Ltd.	100
Shell Cyprus Trading Co. Ltd.	100
Shell Deep Water Drilling Co. Ltd.	100
The Shell Co. of Hong Kong Ltd.	100
The Shell Co. of India Ltd.	100
The Shell Co. of The Islands P.L.C.	100
The Shell Co. of Kuwait	100
The Shell Co. of Latvia Ltd.	100
The Shell Co. of Lithuania Ltd.	100
The Shell Co. (Malta) Ltd.	100
The Shell Co. of Nigeria Ltd.	100
Shell Co. (Pacific Islands) Ltd.	100
The Shell Co. of Pakistan Ltd.	100

Name of Company	Percentage Holding
The Shell Co. of the Philipines Ltd.	75
The Shell Co. of Portugal Ltd.	100
The Shell Co. (Puerto Rico) Ltd.	100
The Shell Co. of Qatar Ltd.	100
The Shell Co. of Sierra Leone Ltd.	100
The Shell Co. of South West Africa Ltd.	50
The Shell Co. of Sri Lanka Ltd.	100
The Shell Co. of The Sudan, Ltd.	100
The Shell Co. of Thailand Ltd.	100
The Shell Co. of Turkey Ltd.	100
The Shell Co. of Venezuela Ltd.	100
The Shell Co. of West Africa Ltd.	100
The Shell Co. (W.I.) Ltd.	100
Shell Composites Ltd.	100
Shell East Africa Petroleum Supply Ltd.	100
Shell E.S. Enterprises Ltd.	100
Shell Ethiopia Ltd.	100
Shell Exploration (China) Ltd.	100
Shell Exploration (Libya) Ltd.	100
Shell Exploration Ltd.	100
Shell Finance Ltd.	100
Shell Finance Services Ltd.	100
Shell Gases Ltd.	100
Shell Holdings (U.K.) Ltd.	100
Shell International Chemical Co. Ltd.	100
Shell International Gas Ltd.	100
Shell International Marine Ltd.	100
Shell International Petroleum Co. Ltd.	100
Shell Lubricants (International) Ltd.	100
Shell Malaysia Ltd.	100
Shell Marine (U.K.) Ltd.	100
The Shell Marketing Co. of Borneo Ltd.	100
Shell Marketing Ltd.	80
Shell Markets (Middle East) Ltd.	100
Shell Mediterranean Ltd.	100
Shell Methane Services Ltd.	100
Shell-Mex & B.P. Ltd.	60

Name of Company	Percentage Holding
Shell-Mex and B.P. Pensions and Provident Fund Trust Ltd.	60
Shell Nuclear Ltd.	100
Shell Ocean Islands p.l.c.	100
Shell Offshore Sales (Greece) Ltd.	100
Shell Oil South West Africa Ltd.	100
Shell Oman Trading Co. Ltd.	100
Shell Overseas Chemical Trading Co. Ltd.	100
Shell Overseas Holdings Ltd.	100
Shell Overseas Services Ltd.	100
Shell Paraguay Ltd.	100
Shell Pensions Trust Ltd.	100
Shell (Petroleum Supply) Ltd.	100
Shell Property Co. Ltd.	100
Shell Red Sea Ltd.	50
Shell Research Ltd.	100
Shell Resource Development Financing Ltd.	100
Shell Southern Africa Holdings Ltd.	100
Shell Tankers (U.K.) Ltd.	100
Shell Thailand Manufacturing Ltd.	100
Shell Trading (Middle East) Ltd.	100
Shell U.K. Exploration & Production Ltd.	100
Shell U.K. Ltd.	100
Shell Uruguay Ltd.	100
Sirtica Shell Ltd.	100
Slades Trust Ltd.	100
Smith Brothers (Rochdale) Ltd.	100
Sonex Ltd.	100
Spares Distribution Services Ltd.	100
The St. Helen's Housing Co. Ltd.	100
Stybex Mouldings Ltd.	50
Sunfair Ltd.	50
Superdrive Motoring Centres Ltd.	100
Taybrite Ltd.	84
Temana Bees Ltd.	100
Temana International Ltd.	100
Temana U.K. Ltd.	100
Thames Estuary Development Co. Ltd.	18

Name of Company	Percentage Holding
Thermocomfort Ltd.	100
Trebury Property Management Co. Ltd.	52
Turkish Petroleum Co. Ltd.	24
United Kingdom Oil Pipelines Ltd.	35
Universal Plant Breeding Services Ltd.	100
The Ural Caspian Oil Corporation Ltd.	35
Vapotherm (U.K.) Ltd	100
H.R. Vaughan Ltd.	100
Vencel Holdings Ltd.	100
Vencel Resil Ltd.	100
Ward Blenkinsop and Co.	100
Ward Blenkinsop (Dublin)	100
Ward Blenkinsop Trading Ltd.	100
Wavin Ltd.	58
Wavin Overseas Ltd.	58
Wavin Pipes N.I. Ltd.	58
Wavin Plastics Ltd.	58
Western Consultancy and Technical Services (Marine) Ltd.	100
Wirtgen (G.B.)	100
Woodhill Sand Ltd.	100
UPPER VOLTA	
Grand Moulins Voltaiques	1
Petrovolta et Shell	49
Soc. Sucriere de la Haute Volte	3
URUGUAY	
Shell Uruguay	100
VENEZUELA	
Commercial Agropecuaria S.A.	100
C.A. Inversiones Shell de Venezuela	100
Quimica Venoco C.A.	15
Shell Quimica de Venezuela C.A.	100
Shell Venezuela S.A.	100
VIETNAM	
Cong-Ty Shell Vietnam	100
ZAIRE	
Soc. Shell pour le Developement Petrolier du Littoral	100
Soc. Shell Zairoise de Recherche et d'Exploitation	85

Name of Company	Percentage Holding
Zaire—Sep	5
Zaire—Shell	40
ZAMBIA	
Bitumen Products Manufacturing Co. Ltd. (Zambia)	50
Shell Chemicals (Zambia) Ltd.	100
ZIMBABWE	
Bennett Brothers (Private) Ltd.	50
Bitumen Construction Services (Private) Ltd.	50
BP & Shell Marketing Services (Private) Ltd.	50
BP Zimbabwe (Private) Ltd.	50
Canopus Marketing (Private) Ltd.	50
Central African Petroleum Refineries (Private) Ltd.	21
Chemilite-MFS (Private) Ltd.	25
Condor Investments (Private) Ltd.	50
Cougar Transport Co. (Private) Ltd.	50
Crusader Engineering (Private) Ltd.	50
Electric Installations (Private) Ltd.	50
Kime Properties (Private) Ltd.	50
K.O. Tyres (Private) Ltd.	50
Nova Lubricants (Private) Ltd.	50
Plant & Equipment (Sales) (Private) Ltd.	25
Pyramid Motor Corporation (Private) Ltd.	25
Shell Developments Zimbabwe (Private) Ltd.	100
Shell Zimbabwe (Private) Ltd.	50
Tarmacadam Services (Private) Ltd.	50
Zimbabwe Lubricants (Private) Ltd.	50